
intrawest
97
ANNUAL REPORT
adventure adrenaline achievement

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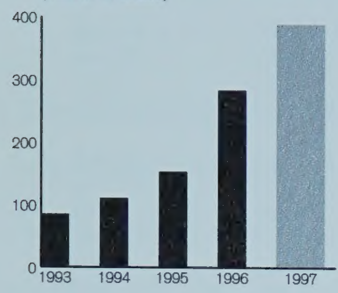
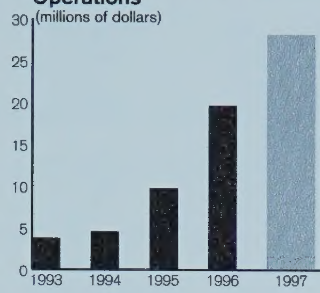
Cover photo: Looking towards Overlord Glacier from Symphony Bowl on Whistler Mountain

Financial Highlights

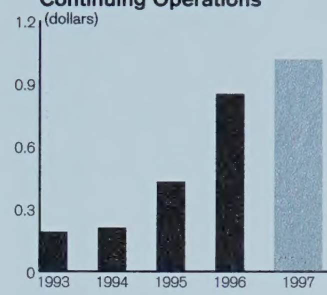
Revenue
(millions of dollars)



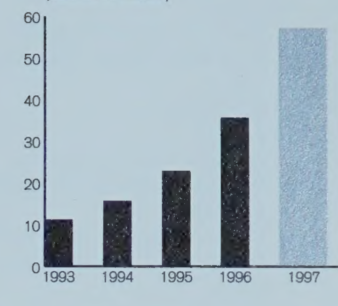
Income from Continuing Operations
(millions of dollars)



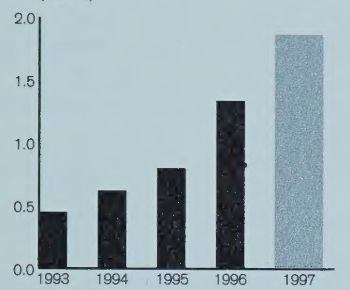
Income Per Share from Continuing Operations
(dollars)



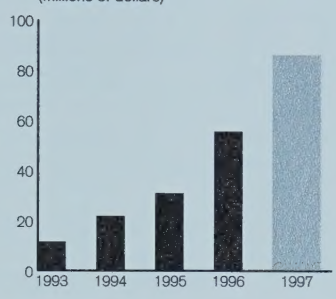
Cash Flow
(millions of dollars)



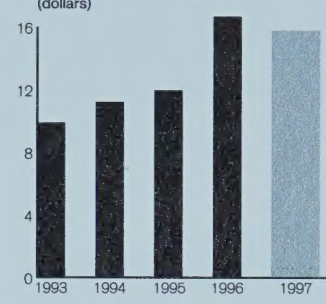
Cash Flow Per Common Share
(dollars)



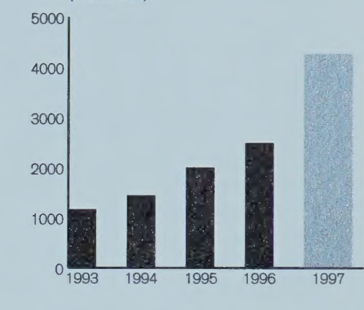
EBITDA
(millions of dollars)



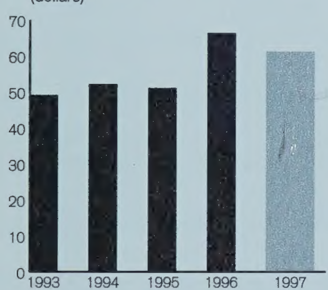
Ski EBITDA Per Skier Visit
(dollars)



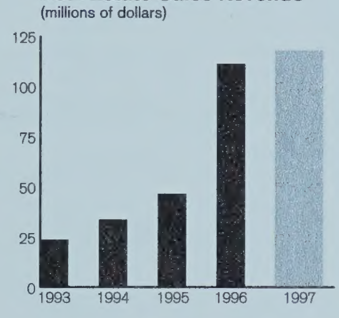
Skier Visits
(thousands)



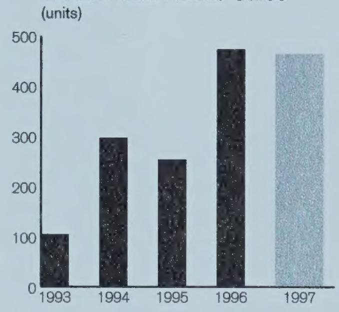
Revenue Per Skier Visit
(dollars)



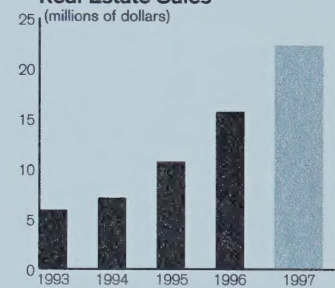
Real Estate Sales Revenue
(millions of dollars)



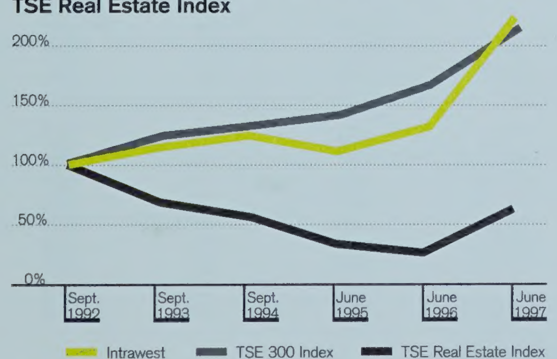
Closed Real Estate Sales
(units)



Operating Profit from Real Estate Sales
(millions of dollars)

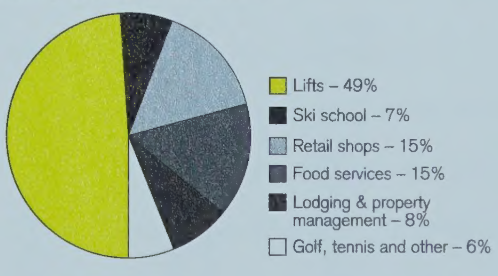


Intrawest Share Price Compared with TSE 300 and TSE Real Estate Index

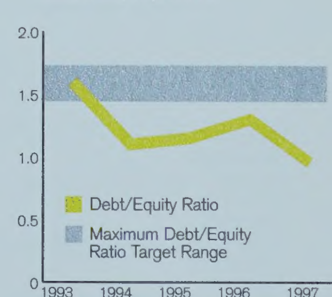


Data includes re-investment of dividends.

1997 Sources of Ski and Resort Operations Revenue (%)



Debt/Equity Ratio



Key Ratios

	1997	1996	1995	1994	1993
Value Ratios					
Income per common share from continuing operations	1.02	0.85	0.43	0.21	0.19
Cash flow per common share	1.87	1.34	0.80	0.62	0.45
Book value per common share	12.00	12.57	12.00	11.63	10.66
Price to earnings	21.8	19.0	23.0	18.9	16.7
Margins					
Ski EBITDA/ Ski Revenue	25.60%	25.03%	23.36%	21.46%	20.11%
R.E. Profit / R.E. Revenue	18.89%	14.09%	16.72%	21.26%	25.17%
Debt					
Debt/Equity	0.98	1.31	1.13	1.12	1.58
EBITDA Interest Coverage	4.12	3.97	4.45	3.25	3.12

Note: 1) The company changed its year end to June 30, effective in 1995. The 1995 figures reflect a nine-month operating period to June 30, 1995.
2) EBITDA = Net earnings before interest, taxes, depreciation and amortization.

Five-Year Historical Review

Fiscal year ended	**1997**	1996	1995*	1994	1993
			(in thousands of dollars except per share amounts)		
Consolidated Operations					
Revenue					
Ski and resort operations	$ 263,239	$165,282	$102,539	$ 75,562	$ 57,433
Real estate (sales and rental)	121,333	112,253	46,719	33,680	23,699
Other	4,403	5,802	3,671	1,372	3,717
Total revenue	388,975	283,337	152,929	110,614	84,849
Expenses					
Ski and resort operations	195,851	123,910	78,591	59,345	45,882
Real estate (sales and rental)	98,039	96,258	38,791	26,518	17,735
Interest	20,914	14,017	6,951	6,699	4,693
Depreciation and amortization	25,966	17,166	10,027	9,299	7,635
General and administrative	8,916	7,567	4,597	2,450	4,604
Other	10,994	4,762	4,145	1,708	548
Total expenses	360,680	263,680	143,102	106,019	81,097
Income from continuing operations	28,295	19,657	9,827	4,595	3,752
Results of discontinued operations	(1,202)	(2,056)	1,913	10,460	11,426
Net income	$ 27,093	$ 17,601	$ 11,740	$ 15,055	$ 15,178
Income per share					
Income from continuing operations	$ 1.02	$ 0.85	$ 0.43	$ 0.21	$ 0.19
Net income	$ 1.05	$ 0.76	$ 0.51	$ 0.70	$ 0.75
Weighted average number of shares (in thousands)	27,809	23,048	22,983	21,405	20,119
Consolidated Cash Flows					
Ski and resort operations	$ 67,388	$ 41,372	$ 23,948	$ 16,217	$ 11,551
Real estate (sales and rental)	23,294	15,995	7,928	7,162	5,964
Net interest income (expense)	(18,892)	(12,580)	(5,635)	(4,328)	(2,267)
General and administrative	(8,916)	(7,567)	(4,597)	(2,450)	(4,604)
Other	(5,389)	(1,428)	1,243	(882)	534
Total cash flows	$ 57,485	$ 35,792	$ 22,887	$ 15,719	$ 11,178
Cash flow per share (after providing for non-controlling interest)	$ 1.87	$ 1.34	$ 0.80	$ 0.62	$ 0.45
Consolidated Balance Sheets					
Assets					
Ski and resort operations	$ 485,918	$278,031	$216,012	$168,212	$136,651
Properties - resort	322,540	207,083	152,908	120,392	63,982
- discontinued operations	76,162	102,367	178,750	205,115	307,979
Other	213,331	166,234	111,529	135,753	106,315
Total assets	$1,097,951	$753,715	$659,199	$629,472	$614,927
Liabilities and shareholders' equity					
Bank and other indebtedness	$ 489,756	$379,838	$314,641	$299,472	$344,924
Other liabilities	110,127	83,554	66,510	62,834	51,896
Shareholders' equity	498,068	290,323	278,048	267,166	218,107
Total liabilities and shareholders' equity	$1,097,951	$753,715	$659,199	$629,472	$614,927
Debt to equity ratio	0.98	1.31	1.13	1.12	1.58
Cash flow return on equity	13.19%	10.87%	6.74%	5.47%	4.31%
Capital expenditures - ski and resort operations	$ 51,693	$ 28,098	$ 28,990	$ 40,467	$ 32,826

*The company changed its year end to June 30, effective in 1995. The 1995 figures reflect a nine-month operating period to June 30, 1995.

Resort Properties

Resort	Skiable terrain (acres)	Vertical drop (feet)	Trails	Lifts (high-speed)	Average annual snowfall (inches)	Snow-making coverage (%)	1996/97 skier visits (000's)
Whistler	3,657	5,020	104	14 (5)	360	4	757
Blackcomb	3,410	5,280	119	16 (7)	360	10	989
Copper	2,433	2,699	117	21 (3)	255	11	944
Mammoth	4,000	3,100	150	38 (4)	350	20	884
Tremblant	502	2,131	77	11 (6)	140	75	615
Stratton	563	2,003	90	12 (2)	180	75	405
Snowshoe	200	1,598	53	11 (1)	185	99	357
Panorama	2,000	4,047	80	8 (1)	110	50	143
Mont Ste. Marie	108	1,250	20	3 (2)	120	80	62

Real Estate

Resort	Date construction commenced/ is expected to commence	As at June 30, 1997: Residential units sold	Residential units under development	Residential units held for future development	Commercial space completed (sq ft)	Commercial space under development (sq ft)	Commercial space held for future development (sq ft)
Blackcomb	1987	2,320	341*	330	47,000	13,000	–
Tremblant	1992	927	229	1,694	109,000	9,000	52,000
Keystone	1995	141	430	2,529	34,000	59,000	207,000
Sun Peaks	1995	26	108	116	–	6,000	–
Panorama	1995	8	104	988	–	5,000	–
Stratton	1997	–	178	1,172	–	–	35,000
Mammoth	1998	–	215	2,185	–	–	155,000
Snowshoe	1997	–	17	833	–	–	50,000
Copper	1998	–	–	1,100	–	–	80,000
Whistler	1998	–	–	915	–	–	80,000
Squaw Valley	1998	–	–	700	–	–	110,000
		3,422	1,622	12,562	190,000	92,000	769,000

*includes 60 units of employee housing

intrawest

Corporate Profile

Intrawest is a leading developer and operator of mountain resorts across North America. Intrawest is also the only company in North America to combine expertise in design, construction and operation of facilities on mountains with villages at their base. As well, the company is one of the fastest growing leisure/recreation companies in North America in terms of total revenue, which includes entertainment-retail, rental accommodation, food and beverage, ski ticketing, resort club and real estate sales. The company owns resorts at Whistler/Blackcomb and Panorama in British Columbia, Tremblant and Mont Ste. Marie in Quebec, Copper in Colorado, Stratton in Vermont, Snowshoe in West Virginia and Mammoth in California (33%). Over the past year, Intrawest's network of resorts hosted 5.2 million skiers and snowboarders. In a joint venture with the owner of the resort, Intrawest is creating resort accommodation and the new village of River Run at Keystone Resort, Colorado. Intrawest is also creating a world-class, four-season resort village at Squaw Valley, California near Lake Tahoe. Intrawest is headquartered in Vancouver, British Columbia and its shares are traded on the New York Stock Exchange (IDR) and the Toronto and Montreal exchanges (ITW).

achievement

Cover Story

Adventure, Adrenaline, Achievement

We've chosen these words for this year's annual report because they exemplify the experience of both employees and guests at Intrawest. Our people are not just highly motivated – they are passionate about the company and their work. There is a sense of excitement and commitment shared by the people in the organization that is so visible it represents a tangible asset. That excitement is transferred to the guests at our resorts, who experience the adventure of being in the mountains, the adrenaline of experiencing something new or long forgotten and the achievement of attaining what they seek – whether physically, emotionally or even a renewal of the soul.

adventure

adrenaline

intrawest

The Big Picture

134 lifts (31 high-speed)

810 trails

16,873 acres of terrain

22,332 restaurant seats

86 sport shops

54 tennis courts

8 championship golf courses (3 of which are under construction)

4,000 lodging units under management

15,000 mountain homes in the development process

THE VILLAGE OF RIVER RUN AT KEYSTONE RESORT

Intrawest is creating resort accommodation and a new village called River Run at Keystone Resort, Colorado.

3,200 mountain homes in development process

WHISTLER

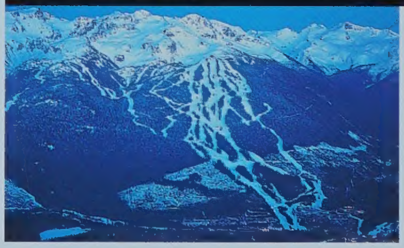
14 lifts (5 high-speed)
104 trails
3,657 acres of terrain
1,986 restaurant seats
6 sport shops
1,000 mountain homes in development process

SQUAW VALLEY

Intrawest is creating a world-class, four-season resort village at Squaw Valley, near Lake Tahoe, California. The village design is at the public approval stage.

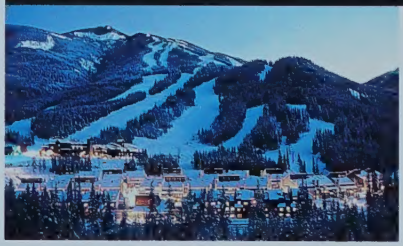
800 mountain homes in development process

BLACKCOMB



16 lifts (7 high-speed)
119 trails
3,410 acres of terrain
4,525 restaurant seats
22 sport shops
600 mountain homes in development process

PANORAMA



8 lifts (1 high-speed)
80 trails
2,000 acres of terrain
800 restaurant seats
4 sport shops
8 tennis courts
18-hole championship golf course (under construction)
1,300 mountain homes in development process

TREMBLANT

11 lifts (6 high-speed)
77 trails
502 acres of terrain
2,668 restaurant seats
17 sport shops
11 tennis courts
2 18-hole championship golf courses (1 under construction)
2,000 mountain homes in development process

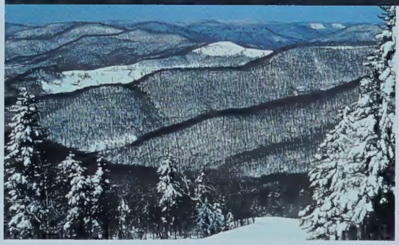
MAMMOTH

38 lifts (4 high-speed)
150 trails
4,000 acres of terrain
4,620 restaurant seats
5 sport shops
18-hole championship golf course (under construction)
2,600 mountain homes in development process

STRATTON

12 lifts (2 high-speed)
90 trails
563 acres of terrain
2,667 restaurant seats
15 sport shops
17 tennis courts
27-hole championship golf course
golf school
1,400 mountain homes in development process

SNOWSHOE



11 lifts (1 high-speed)
53 trails
200 acres of terrain
1,500 restaurant seats
6 sport shops
10 tennis courts
18-hole championship golf course
tubing hill with lift
900 mountain homes in development process

COPPER

21 lifts (3 high-speed)
117 trails
2,433 acres of terrain
2,866 restaurant seats
8 sport shops
8 tennis courts
18-hole championship golf course
1,200 mountain homes in development process

MONT STE. MARIE

3 lifts (2 high-speed)
20 trails
108 acres of terrain
700 restaurant seats
3 sport shops
18-hole championship golf course
total potential development under review

Mountainspeak

air - what you get after leaving a jump; the obsession of all extreme skiers and snowboarders

bailing - coming off your bike or skis in a disorganized fashion; various forms (see endo and yard sale)

cold beds - accommodation at a mountain resort used mainly on weekends and holidays by owners only (see warm beds)

destination resort - a resort sufficiently appealing that people will travel to it, stay a minimum of one day and one night, and actively make use of the resort, its facilities and/or its amenities

endo - bailing over the handlebars of your bike

envisioning - looking ten years into the future and articulating a shared vision

epic - ultimate; prime snow and weather conditions

five sensing - part of the envisioning process; determining what visitors should see, hear, taste, touch and smell when they visit a mountain resort; collectively, the visitor's experience of the resort (a.k.a. sensory engineering)

halfpipe - a trough dug out of the snow that resembles half a big pipe; used mainly by snowboarders for "airs" and other maneuvers

interval vacation ownership - 21st century time-share combining the best features of timeshare, resort hotels and country clubs

laying it out - a snowboarder carving a turn with such precision and control that his or her body is parallel to the snow surface

mission - verb or noun. **v.** to explore, usually in the back country or some other hardcore area. **n.** an adrenaline-filled adventure

endo

opportunity envelope - the opportunity to create increased visits and revenue per visit by focusing on filling Intrawest villages during mid-week and non-peak periods

pesto pizza & pinot noir - what parents lunch on while their children make new friends at Kids Kamp

pulling some g's - laying it out at high speed

sick air - a jump requiring slight insanity to undertake, e.g. off a big cliff, tabletop jump, or second-floor balcony into a hot tub

single track - narrow, technical, off-road terrain that mountain bikers crave

epic

sick air

skier visit - one person visiting a ski area for all or part of one day or night for skiing or snowboarding

technical riding - tough riding – crazy single track with big drops, obstacles, and chutes

vert - the degree or steepness of a lip wall or pipe

warm beds - high-occupancy accommodation in a mountain resort which is used seven days a week (see cold beds)

yard sale - a severe bail (wipeout) with wide distribution of equipment, i.e. goggles, poles, skis, toque and gloves

intrawest

Awards and Achievements

SKI magazine readers were asked, "If you had won an all-expense paid trip anywhere in North America, where would you go?" The winner: Whistler/Blackcomb.

awards

- *Snow Country* magazine named Whistler/Blackcomb North America's number one ski resort for the sixth consecutive year. Whistler/Blackcomb was also named the number one international destination for the ninth consecutive year in *Blueguide Ski,* a Japanese ski magazine.

- Tremblant was ranked Eastern North America's number one resort by *SKI* magazine. *Snow Country* named Tremblant the "Best Resort in the East" and number three in North America for "Food on Mountain" and "Lodging."

- *Snow Country* named Stratton the "Best Resort in North America for Snowboarding." Stratton was also "Editors' Pick" in the prestigious *Yankee Magazine* 1996 Travel Guide and was named one of "The Best Tennis Resorts in America" by readers of *Tennis Magazine.*

- Intrawest won the Gold Nugget Award for "Best Community Site Plan – 500 acres or less" for the River Run village at Keystone, competing with projects in Western North America, Asia and Australia. Intrawest also won the Gold Nugget Award for "Best Mixed-Use Project" for Black Bear Lodge, Keystone.

- Stratton received the 1997 Certificate of Achievement from The Audubon Cooperative Sanctuary System recognizing Stratton Mountain Country Club for environmental planning.

- Blackcomb's Can-Ski North received first prize for "Innovative Retailer of the Year" and "Staff Development & Motivation" by the Retail Council of Canada.

- Tremblant's Le Géant golf course was awarded the Quebec National Tourism Award for tourism development.

achievements

- Acquired Whistler Mountain in British Columbia and Copper Mountain in Colorado, increasing the company's assets to over $1 billion. The acquisition of Whistler gives Intrawest ownership of the largest, and the number one ranked, resort in North America.Copper gives us a major resort in Colorado with almost one million skier visits, great natural terrain, and significant expansion potential both on the mountain and at the base.

- Listed the company's shares on the New York Stock Exchange and raised gross proceeds of $93 million on the sale of 4,000,000 shares in the United States and Canada.

- Finalized an agreement to build a four-season destination village at Squaw Valley, California, near Lake Tahoe. Intrawest will convert land currently used as surface parking for day skiers into a self-contained pedestrian village with quality restaurants, shopping and nightlife.

- Celebrated the opening of Château Mont Tremblant, the first château in the Laurentian region and only the second to be built this century, Château Whistler being the first. Acquired Mont Ste. Marie, Quebec.

- Sold at launch 475 units in ten projects across North America through Intrawest's unique relationship marketing program for a total of $143.6 million. This is an average of 74% pre-sales in each project launched and is in addition to real estate sold in the traditional way.

- Recorded the most profitable year in Intrawest's history with Net Income from Continuing Operations of $28.3 million.

Chairman's Message

All the great corporations of the world have had in their history a year so pivotal, so significant in terms of achievement and growth, that it virtually defined the future of the company. 1997 was such a year for Intrawest. A year in which we established an exceptional foundation for our future.

Why do I say 1997 was so significant? Two reasons. The first was a series of events that will propel us forward for years to come. The second – harder to define but equally important – is that even with the magnitude of our growth over the past year, our team of people are functioning at a level of efficiency and synergy that I would have previously thought would take years to achieve.

First, some of the highlights of the year. December 18, 1996 is a good place to start. On that day, we announced our acquisitions of Whistler Mountain in British Columbia and Copper Mountain in Colorado, bringing our assets to $1 billion. We followed this up in March, when we raised $93 million in a public share offering in the United States and Canada and listed the company's shares on the New York Stock Exchange.

And the list goes on. We announced plans for a $250 million four-season destination village in Squaw Valley, California. We acquired Mont Ste. Marie, a regional resort in Quebec, and celebrated the opening of Château Mont Tremblant, the first Canadian Pacific château in the Laurentians and only the second to be built this century, Château Whistler being the first. We had some spectacular real estate launches (too numerous to mention) where again and again we substantially sold out our real estate projects on the day of our marketing launch. And today we announced the most profitable year in our history.

All this energy reflects the excitement of the company and the diverse revenue sources that drive our growth. Each of our achievements was significant in itself. Taken together, these events represent the increasing momentum that should ensure our success in 1998 and beyond – a momentum that was reflected in our share price which hit a high of $26.95 in August, a sharp increase from its price of $14.00 when I was writing last year's letter. In the last fiscal year, the equity value of Intrawest increased $515 million.

These highlights, among others, were the first reason why 1997 was such a phenomenal year. The second was the increased harmony and coordination that we've created within our organization – people making things happen...smoothly and quickly.

The numbers say it all. In the past year we've added over 1,000 permanent and 2,600 seasonal people to Intrawest. Our sales increased by $105 million and our assets by $344 million. We sold 36% more mountain homes and we added 3,000 more developable real estate units to our inventory. You might think that a company that has grown as much as we have in a single year would be in a partial state of chaos. The opposite is the case. We are in better shape than we have ever been – financially, operationally, our people, you name it.

How have we achieved this? With a clear strategic focus, strong talent, and solid infrastructure. In 1994 we made the key decision to focus our activity 100% on the leisure industry and specifically on three sectors, each with a strong, experienced leader: resort operations (ski, golf, retail, food and beverage, etc.) under Hugh Smythe, resort real estate development and acquisitions under Gary Raymond, and the vacation club business (timeshare) led by Jim Gibbons. Overlaying all of this is the direction and support in financial strategy and systems provided by Dan Jarvis.

And because we are diversified across numerous locations in North America, we needed to put the right information systems in place. We've done that. We can now review on a moment's notice the status of any one of the dozens of real estate projects we are developing across the continent. Similar systems are now in place in our ski operations and this year we will have daily financial operating results for each resort available in Vancouver by 10 o'clock the following morning. This information intelligence has made our path of growth both clear and predictable.

But I want to return to the talent and enthusiasm of our people. Throughout the organization we have all grown a lot in the past year. Each employee in the company has become closer to the practices we teach at the Intrawest Leadership School – team play, focus on the customer, leadership and entrepreneurship. We acquired a great wealth of talent when the people of Whistler Mountain and Copper Mountain joined us. And with the growth opportunities ahead of us, we

"All the great corporations have had in their history a year so pivotal that it virtually defined the future of the company. 1997 was such a year for Intrawest."

recognized that we could augment our team with some of the best leisure industry people in North America. So we undertook continent-wide searches that resulted in the successful recruitment of a number of senior management executives, many of them in newly created positions.

Our new Director of Development, Attractions will spearhead the creation of items such as mountain-top theaters, water parks, children's play areas, entertainment centers and outdoor educational facilities. These attractions will enliven our resorts, enhance the total experience of our guests and encourage people who aren't skiers to ascend to the top of our mountains. Our new Senior Vice President, Lodging will oversee the strategic direction of our condominium and hotel operations across North America. And our new Director of Intrawest Vacations will work with airlines, travel agents, car rental companies, tourism boards and major wholesalers to facilitate access to our resorts and maximize the total guest experience.

Each new individual brings the same spirit of enterprise and adventure that characterizes all of our employees. Our people share an excitement that is infectious and that inspires our guests to return again and again. They drive the success of this company.

So that's where we are now. But what next?

Looking ahead, we are extremely confident. Our resort operations are beginning to benefit because we are now a "range of mountains." We are in the enviable position of having a network of operations that can market together, purchase together, benchmark against one another and learn from each other. Which means that we don't have to re-invent the wheel – we can share the best insights from each of our operations. Our size is our advantage. We now have the economies of scale to have specialists in Vancouver in information technology, corporate sponsorship, marketing, purchasing, and so on.

As for our resort real estate developments, the projects that are coming on-stream in the next 18 months will double our size from just a year ago. But our real estate profits don't end when we close the final sale. While we generate impressive profits selling real estate, long-term we will earn substantially more by encouraging everyone who stays in that real estate to ride our lifts, shop in our stores and drink lattes in our cafés. This integration of a world-class village resort with facilities that we control will provide Intrawest with a very long financial annuity. It is, by the way, the characteristic that makes us unique in our industry.

I've said it before but it's worth repeating: demographics will help to ensure our success. Simply put, the median age of our thousands of real estate purchasers is approximately 50 years old. The leading edge of the baby boom turns 50 this year and their numbers will grow each year for another 12 years. You can literally see the tidal wave coming. With 15,000 units of buildable inventory, located at some of the most dramatic locations in the world, you get a glimpse of why I'm optimistic. And let's not forget the boomers' children. The peak of the echo boom in 1990 nearly equaled the 1960 peak of the baby boom, so a second surge is coming in the age group that is the most active at our resorts.

For these same reasons my optimism also extends to our vacation club division, where we now have 3,500 members after only two years of operation. Because of demand we are currently expanding our Blackcomb and Tremblant clubs and will soon open other new clubs throughout North America, including our first in California later this year.

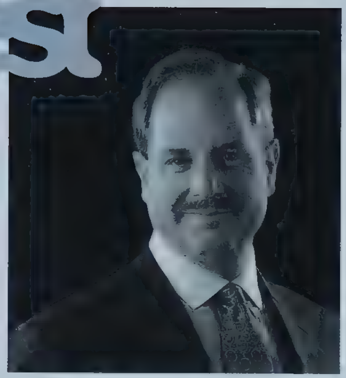
Finally, we will continue to brand the name Intrawest, to make the name synonymous worldwide with a unique resort experience in some of the most breathtaking places on earth. While we have increased awareness of the Intrawest name in Canada and near prime ski areas in the United States, we want to expand that awareness across the continent.

Over the coming months, Intrawest's employees, management and Board of Directors will continue to chart our future growth. The foundation we have set allows us to pursue this strategic planning from a position of unparalleled strength and confidence.

Joe S. Houssian
Chairman, President and Chief Executive Officer

September 19, 1997

Report on Financial Strategy



Over the course of the last three annual reports we have presented a strategy and a set of targets to transform the company. Our confidence in our strategy and our ability to achieve our financial targets rested on the following assessment of external opportunities and our strengths:

- powerful demographic and societal trends would favour four-season mountain resorts and mountain lifestyle activities;
- the consolidation of the industry would present the opportunity to build a network of resorts which would yield significant benefits;
- by being the largest and most clearly focused developer of recreational property in North America, we would achieve significant competitive advantages and above-average returns; and
- the proven success of the Intrawest formula of developing integrated resorts, as first shown with Blackcomb, would be transferable to other resorts.

The results achieved to date indicate that our assessment of the opportunities was justified. The extraordinary accomplishments of the past 12 months have enabled us to meet or exceed targets which in certain cases we had not planned to meet until the year 2000.

The first target we had set was to minimize, and eventually eliminate, our non-resort real estate assets. We have now reduced these assets from a peak of 55% of total assets in early 1994 to 12% of total assets at June 30, 1997. Furthermore, the creation of non-resort preferred shares has placed the risks and recovery of the remaining equity with the holders of those shares, and not with the common shareholders.

Along with reducing our non-resort assets, we set out to expand our resort portfolio. As you know, over the past three years we have been successful in acquiring Stratton, Snowshoe, Mont Ste. Marie, Copper and Whistler as well as acquiring 33% of Mammoth Mountain. Each of these new investments has resulted in a positive contribution to our financial results. The acquisitions also offer significant future potential, as they have sufficient real estate to allow us to build our unique mountain/village resorts. Each acquisition also met our other key criteria: accessibility to major markets, strong market positioning, four-season potential, and an outstanding natural environment. Along with our previous investments in Blackcomb, Tremblant and Panorama, and our real estate at Keystone and Squaw Valley, we now have a network of assets that gives us access to guests from all of the major markets of North America and offers our guests an unparalleled range of mountain vacation choices.

The addition of Whistler and Copper delivered particularly significant strategic and financial benefits. The acquisition of Whistler gives Intrawest ownership of the largest, and the number one ranked, resort in North America. The economies of scale will result in a significant increase in profitability for the combined operations this coming season and there are important marketing advantages as well. With Copper we now have a major resort in Colorado that has scale (one million skier visits), great natural terrain, and significant expansion potential both on the mountain and at the base.

Recognizing that we were going to grow quickly, we saw the importance of developing management systems to enable us to manage this growth and seize the benefits of a multi-location business. Our goals in implementing these systems were:

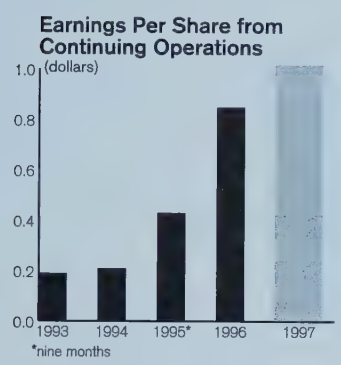
- to obtain timely, accurate and consistent information at all our resorts;
- to establish a shared focus on clearly defined objectives and facilitate the exchange of information among resorts; and
- to ensure the systematic implementation of successful initiatives among our resorts and the elimination of ineffective programs.

These systems are now up and running in our real estate division and will be in place in the operations division for this coming winter season. This is just one outcome of the comprehensive and coordinated strategic planning process undertaken in our operations division last year. As part of this process, a broad cross-section of employees analyzed our key customer segments, the critical economics of our resorts, and the integration of the two that is necessary for the company to achieve its goals.

In terms of our financial targets, our two principal objectives have been to achieve high rates of growth in income from continuing operations as we shifted our asset mix and to build a base for strong, sustainable long-term growth. We have been successful in both. Our short-term growth in income

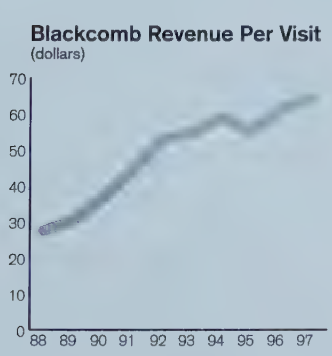
“The extraordinary accomplishments of the past 12 months have enabled us to meet or exceed targets which in certain cases we had not planned to meet until the year 2000.”

from continuing operations has been rapid, averaging 56% over the past 5 years.



With respect to the long term, we now have a group of businesses capable of delivering strong internal growth, even in the unlikely event that we make no new acquisitions or investments. Increases in earnings per share will reflect the opportunities we have to achieve growth in revenue, further improve profit margins, and contain the growth of depreciation and interest expense.

Revenue growth will be driven by the simultaneous expansion of the accommodation base, attractions and amenities at our resorts. The experience at our more developed resorts such as Blackcomb has shown that this will result in greater numbers of destination visitors, a longer length of stay per visitor, increased revenue from non-ticket sources such as retail and rental operations, and higher average spending per guest.

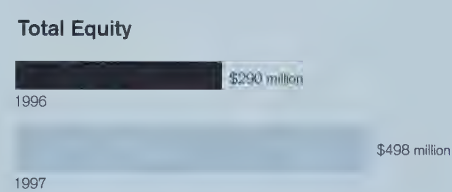


Resort real estate revenue is expected to increase significantly in 1998 and 1999 from the $118.2 million achieved in 1997. This revenue growth will result from increasing real estate production levels, primarily as new locations around North America are brought on line, and from the higher prices that we are now obtaining. Our resort club division will also contribute to revenue growth as we add new locations.

We expect that operating margins will continue to improve in our principal businesses. In operations, the more balanced loading of our facilities as we achieve higher utilization across the whole winter season, and across the other seasons, will result in a more efficient cost structure and higher margins. The focused expansion of higher profit businesses in the resorts will further contribute to this trend. The overall profit margin in the resort operations division has increased from 23.4% in 1995 to 25.6% in 1997. In the real estate division, margins have been increasing as a result of strengthening prices and effective cost control. The overall profit margin in resort real estate has increased from 16.7% in 1995 to 18.9% in 1997.

Finally, as we increase asset utilization across our resorts, we expect operating income to grow faster than depreciation and interest expense, which will further increase growth in earnings per share.

Intrawest's balance sheet and credit standing strengthened dramatically during the year, principally because of the $180.6 million of additional equity received from the issuance of shares to Whistler and Copper owners and the public share offering. This equity contribution, together with increased profitability, has materially improved Intrawest's interest coverages and other important measures of credit standing. As a consequence, we have excellent access to capital.



Conclusion

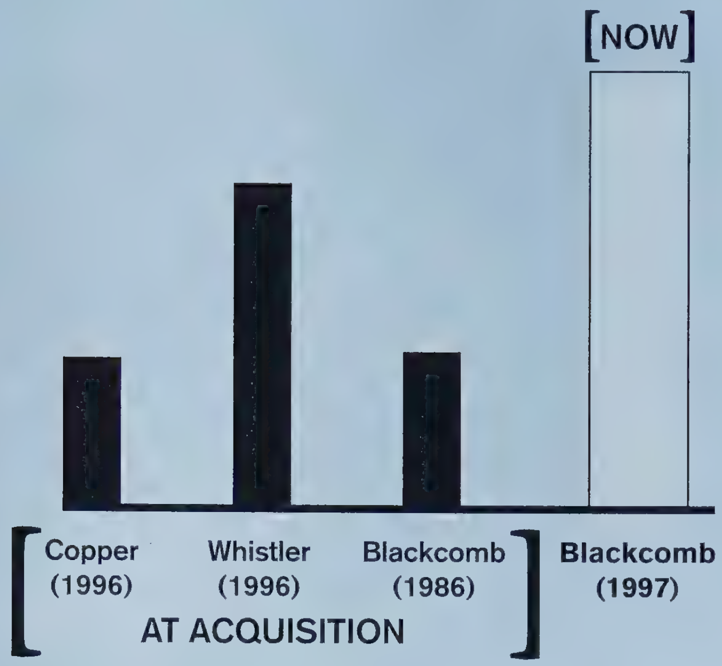
With our achievements in 1997 we have assembled the critical components of the engine that will drive our growth for the next five years. We have a very strong financial foundation which we can use to expand our businesses within our existing resorts and to make new acquisitions and investments. As always, we will exercise the prudence and attention to risk mitigation that has been our trademark for over twenty years.

Daniel O. Jarvis
Executive Vice President and
Chief Financial Officer

September 19, 1997


adre

Operating profit per visit



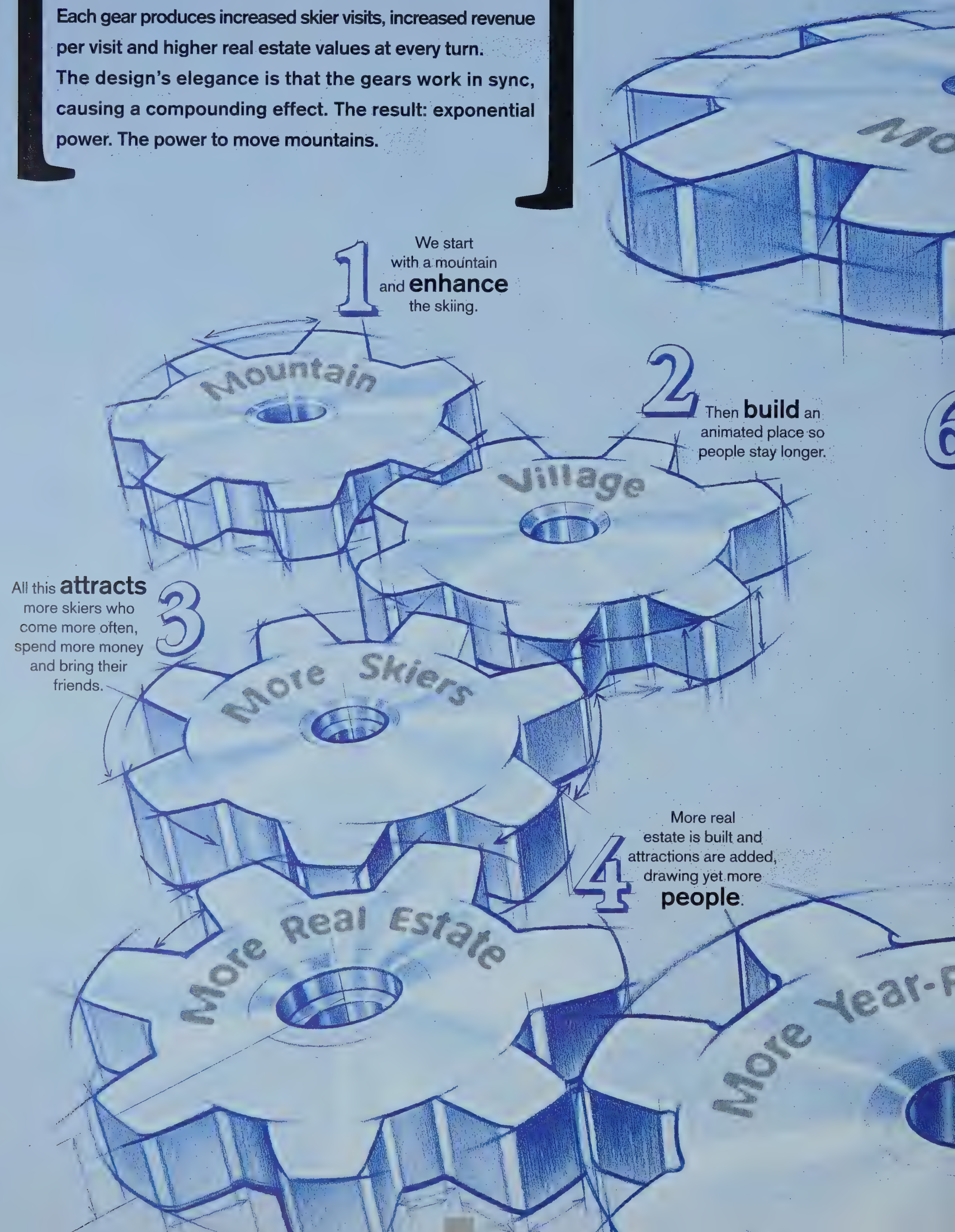
naline

Whistler and Copper acquisitions pump profits

An incredible adrenaline charge surged through the company with the acquisitions of Whistler Mountain and Copper Mountain. With the addition of Whistler Mountain, the number one mountain destination in North America is now under single ownership. The opportunities to increase profit at both mountains are staggering. The newly acquired Whistler, which is side by side with Blackcomb, currently delivers 35% less operating profit per visit. That gap will close in the upcoming season. Enormous potential also exists at Copper Mountain, where operating profit is currently $10 less per visit than the average for Intrawest resorts.

The Mountain Resort Business. Our Blueprint.

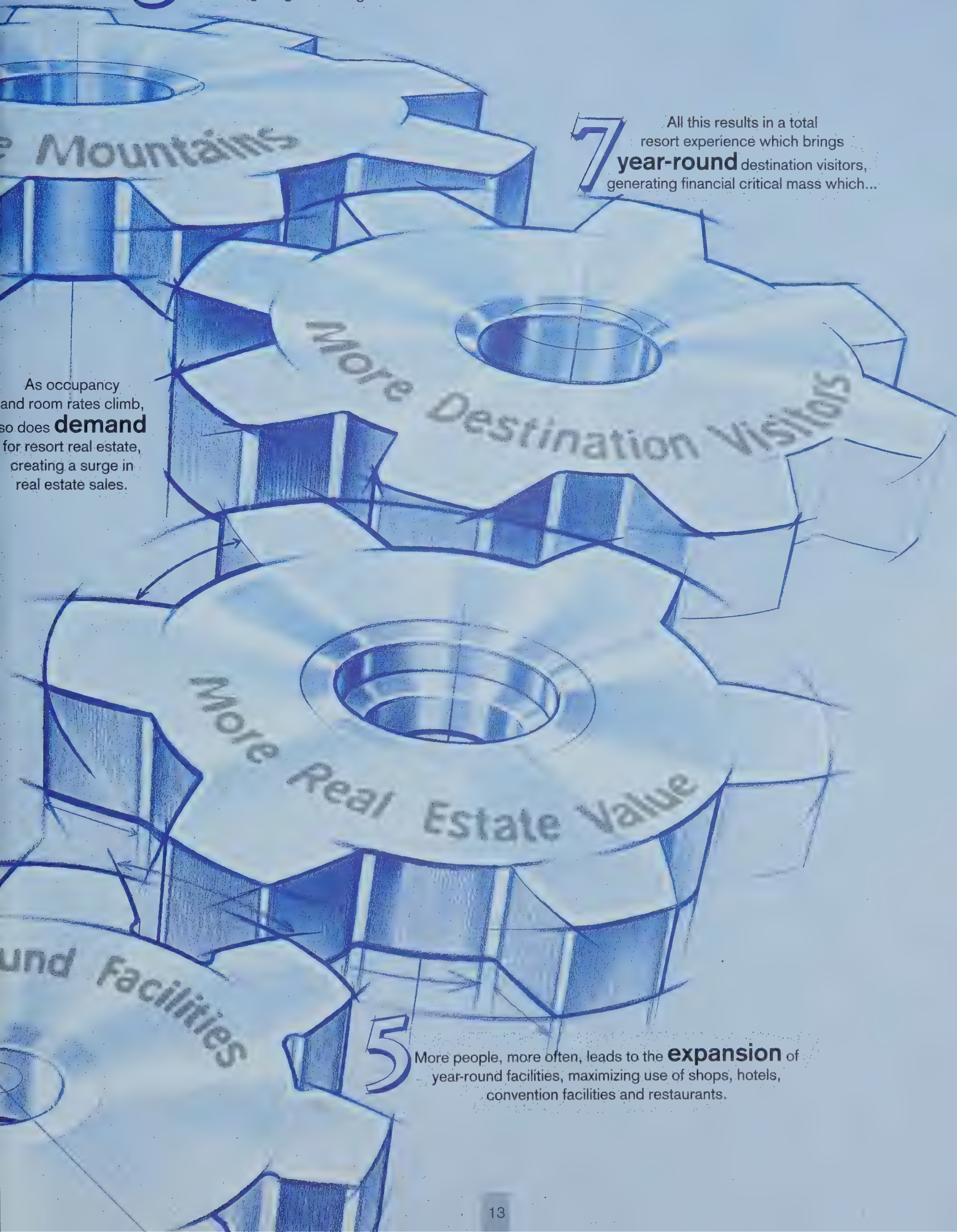
[The key to Intrawest's blueprint for success is integration. Each gear produces increased skier visits, increased revenue per visit and higher real estate values at every turn. The design's elegance is that the gears work in sync, causing a compounding effect. The result: exponential power. The power to move mountains.]



8 Leads to more **mountains**.
Network synergy shifts drivetrain into higher gear. It's logical.

7 All this results in a total resort experience which brings **year-round** destination visitors, generating financial critical mass which...

As occupancy and room rates climb, so does **demand** for resort real estate, creating a surge in real estate sales.



5 More people, more often, leads to the **expansion** of year-round facilities, maximizing use of shops, hotels, convention facilities and restaurants.

A Day In The Life of Tremblant
April 6, 1997

each part of the day (and night) brings new revenue to the mountain

The diversity of adventures at an Intrawest resort leads to a diversity of revenue sources – all of which are growing rapidly. Intrawest is not just a lift-ticket company, but is growing in many areas as we branch out in different directions. Hotel management, logo merchandising and golf are just a few of the areas that have incredible growth potential at our network of resorts across North America.

adventure

Growth Opportunities
24 hours a day, 365 days a year

Who comes to mountain resorts?

North Americans are looking for participant amusements. Annual revenue from participant amusements rose from US$2 billion in 1970 to US$23 billion in 1991 and continued to rise through 1997.

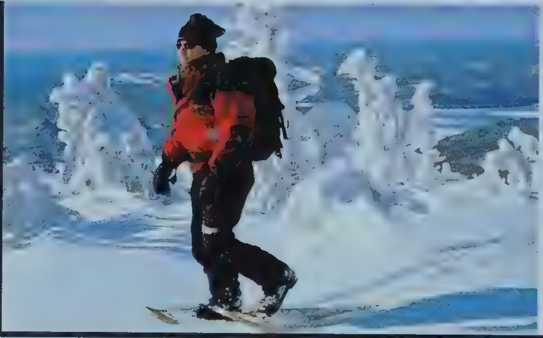
This growth is not solely due to the baby boomers. The echo boom generation, nearly equal in size to the baby boom generation, will soon be a mountain resort's biggest and most active customer segment.

Generation 2000

- these are the 18 to 35 year olds that companies will be marketing to in the next millennium
- largest single segment of customers for mountain resorts
- can be high-frequency guests and have more vacation flexibility than families
- enjoy shopping – on average shop 14.5 times per month and spend an average of $31 per trip
- want "no rules" activities, most of which are geared to mountain resorts

Aggregate income of approximately US$1.2 trillion and spending power of roughly US$600 billion.

snowshoeing



Recreational services spending has increased more than tenfold in the past 30 years and spending on sports equipment has increased more than 14-fold.

Teenagers

- forecast to grow in numbers at twice the rate of the overall population through 2010
- group is disproportionately important because of their influence on the family decision-making process
- are generating growth in extreme sports, with almost 50 million individuals participating in such sports in the United States alone
- important sports-gear buyers

Spending power alone will explode 25.8% to US$135.9 billion by the year 2001. Are estimated to influence a further US$200 to US$300 billion of consumer spending annually. Virtually all income is discretionary.

snowboarding

Snowboarding grew 32.5% in 1996. Experts forecast participation will reach five million by 2000.

Boomers

Young Boomers

- drive family market

Older Boomers

- prime buyers of recreational property – the highest levels of vacation home purchases are generated by individuals between the ages of 45 and 65, the largest and fastest growing segment of the US population
- high-spending participants at resorts

Discretionary spending likely to increase – will inherit an estimated US$1.7 trillion over the next 10 to 15 years.

Spending on golf has doubled in the 1990s. Historically, at age 50 the number of rounds played doubles compared to those played at age 30.

golf

Intrawest's integrated resort approach delivers expanding revenue sources

At Intrawest we grow visits by the day and revenues by the hour. At an integrated destination resort, each hour of the day holds potential for retail, activity and lodging income - 365 days per year.

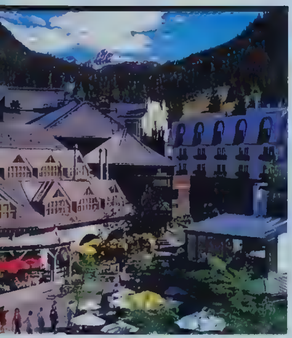
retail

Retail, food and beverage, and specialized ski and snowboard programs are just some of the growing businesses at Intrawest.

entertainment

An important growth opportunity is the attractions business, which includes everything from water parks and mountain-top theaters to entertainment centers and outdoor recreational facilities. Attractions provide alternative activities for skiers and riders during those hours and days they're not skiing/riding as well as appealing to those who may not ski or ride at all but still want a mountain experience.

attractions

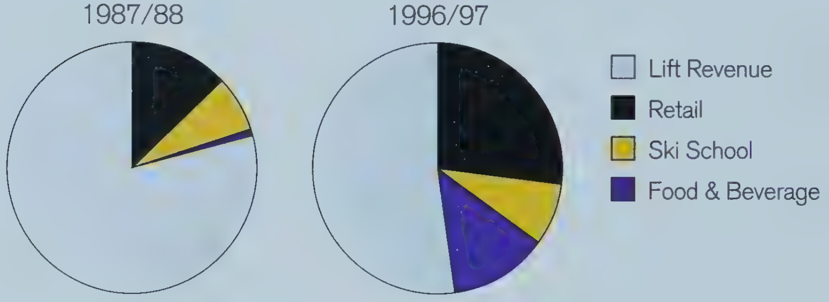


lodging

Lodging is playing an expanding role. Intrawest is currently involved in the rental of 4,000 mountain homes within its resorts and is planning to build approximately another 1,000 units each year over the next five to eight years, many of which will also be under Intrawest's management. In addition, Club Intrawest, the company's five-star timeshare business, enjoys very high occupancy levels.

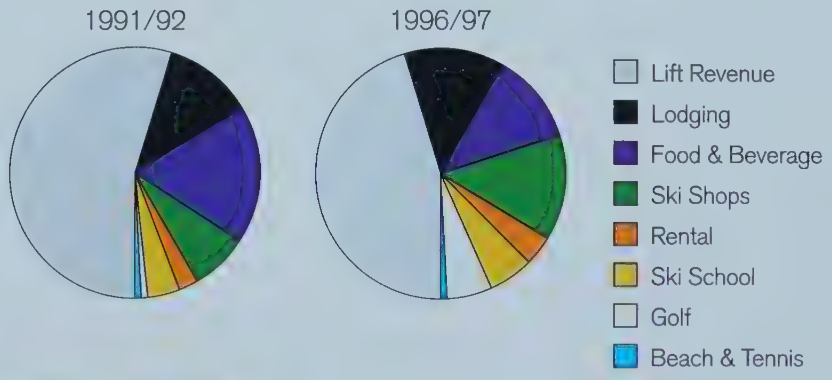
Blackcomb's revenue diversity is growing

The value of the integrated resort approach is shown by the growth in revenues other than lift tickets. At Blackcomb, revenues from other sources have grown from only 21% in 1988 to 48% in 1997. During that time, total gross revenue quadrupled.

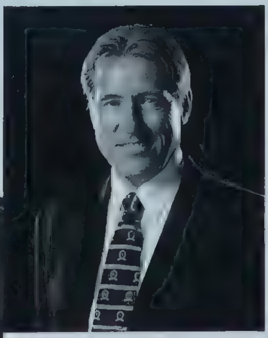


The same growth pattern is evident at Tremblant

While there was a growth trend in non-lift ticket items from 1992 to 1995, the most profound change happened in the past two years as Tremblant reached critical mass.



"As well as being a profitable entity in one of the world's fastest growing leisure industries, the resort club business generates the highest year-round occupancy rates in the resorts. (Industry averages for five-star clubs are 85-90% year-round)."



James J. Gibbons
President, Resort Club Group

achievement

intrawest

The Power Of One

The Math

We've assumed 163 ski-season days, 61% occupancy and an average of 2.5 people per room-night. This means that each unit represents 250 lodging guests who also eat and shop. And if 70% of them ski, that's 175 skiers who can rent equipment and attend ski school. We then used Tremblant's revenue-per-visit figures to calculate the economic impact of a single mountain home.

every single mountain home comes with a built-in revenue stream

A typical lodging unit at an Intrawest resort generates approximately $16,000 in revenue every year. Intrawest sold 792 units last year and is building over 15,000 units over the next 12 to 15 years.

	annual contribution from one unit
lodging	$ 8,150
food & beverage	1,400
retail shops	1,450
ski lift	4,500
rental equipment	300
ski school	500
	$ 16,300

Envisioning Our Growth

potential development units

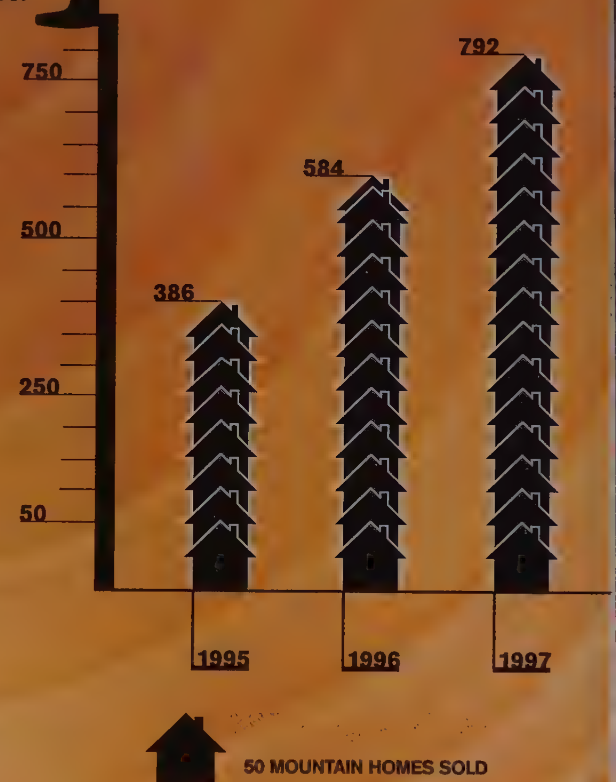
	1993	1994	1995	1996	1997
beginning balance	4,000	5,000	8,069	9,426	12,536
additions	1,105	3,386	1,641	3,660	2,984
units sold (closed sales*)	105	297	254	474	465
commercial developed		20	30	76	10
ending balance	5,000	8,069	9,426	12,536	15,045

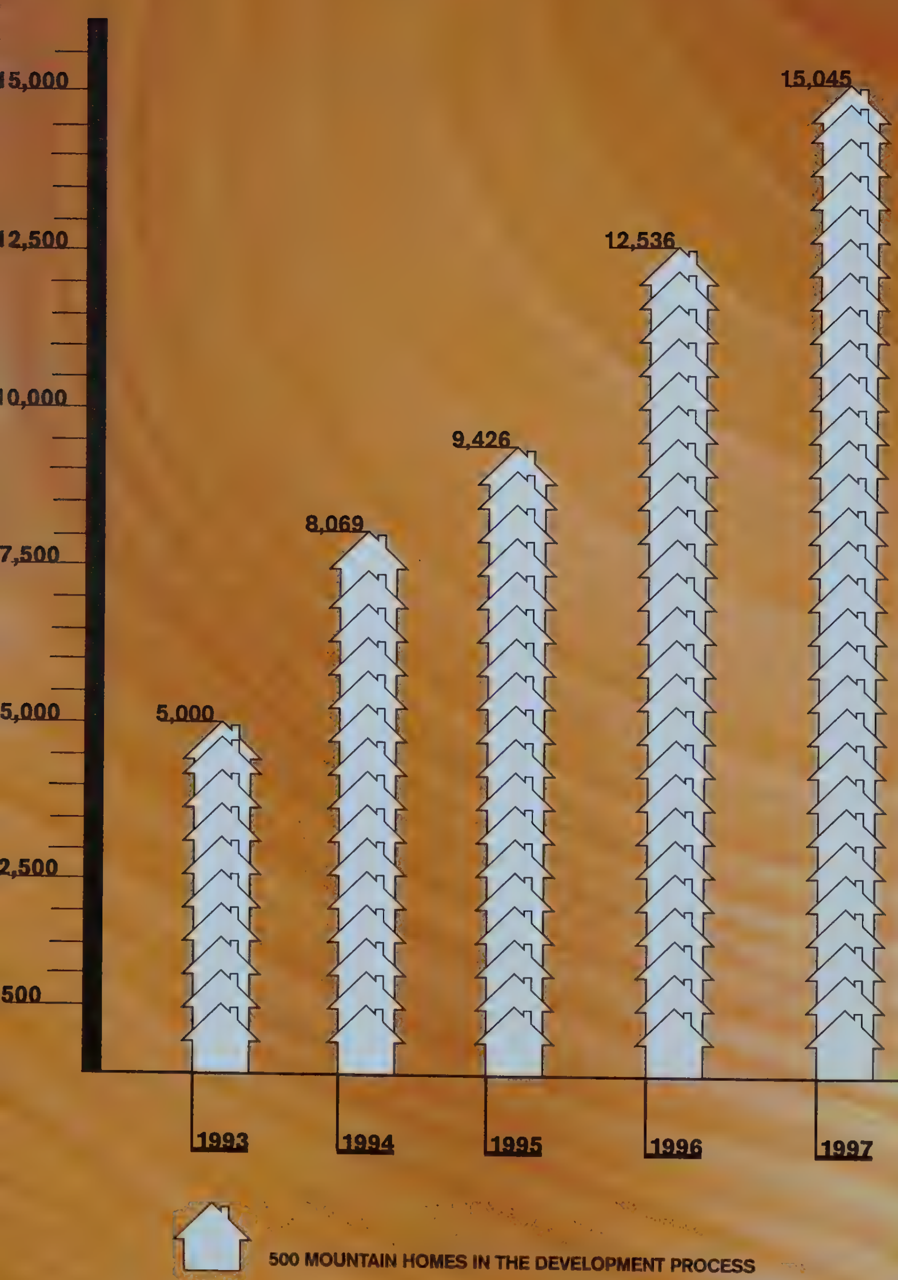
*sales become closed and are recorded as revenue when construction of the unit is complete.

sales of mountain homes continue to soar

Intrawest sold 792 units in 1997, doubling its sales in two years.

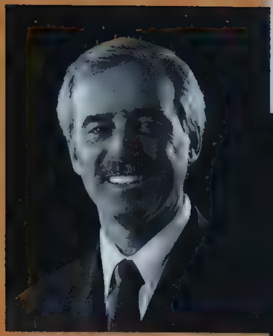
Note: many of these units were sold prior to construction. As revenue is recorded when construction is complete, 574 of these 1997 sales will be recorded as revenue in 1998.





potential development units continue to increase

The 15,000 units to be developed represent 12 to 15 years supply and this will increase as Intrawest continues to acquire resort properties.



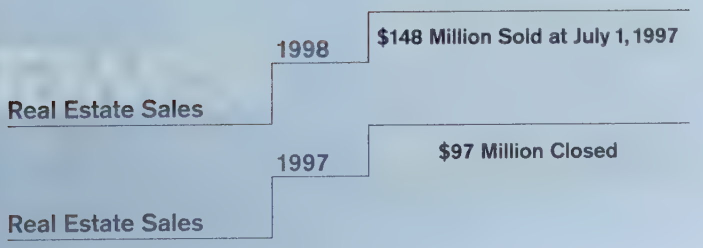
Gary L. Raymond
President, Resort Development Group

"Real estate development at Intrawest has significant momentum right now. At year-end Intrawest had recorded $97 million in closed sales for 1997 and had also pre-sold $148 million in sales to be recorded as revenue in 1998. Intrawest has developed a systematic approach to planning, design, construction and marketing which is making both volume and margins highly predictable."

Shape of Things to Come

The Intrawest methodology of real estate development has demonstrated its ability to change to fit the region in which we're working. The application of that methodology is now translating into sales. Five of our resorts are contributing to our pipeline of sales and the others are now approaching that stage.

- Tremblant is exceeding our expectations. We closed 236 units in 1997, Château Mont Tremblant opened to rave reviews, and with Le Géant operating at full capacity, construction was started on Tremblant's second championship golf course. Our overwhelming success at Tremblant has given us the confidence to announce an additional $500 million Phase II expansion of the resort.
- The village of River Run at Keystone has been received with award-winning acclaim. The signature buildings of the village are largely sold out and the planning for the remainder of the village is complete.
- At Snowshoe we have completed the design of a new mountain-top village which will integrate the US$12 million of improvements being made on the mountain this year.
- At Stratton we launched the SnowBridge project and immediately sold 32 of the 36 units.
- At Panorama we have started construction of the first two new condo-hotels to be built at the resort since 1981. Of the 79 units, 46 have already been sold. We have also started construction of the Greywolf Golf Course at Panorama.
- Mammoth's Sierra Star golf course is well into construction and is expected to open late next year.
- At Squaw Valley the village design has been taken to the stage where we can now proceed to the public approval process.
- And at Whistler/Blackcomb we sold 94 units at the launch of the 100-unit Lost Lake Lodge project and received approvals for 60 employee homes, all of which have been pre-purchased by employees at Whistler/Blackcomb.



intrawest

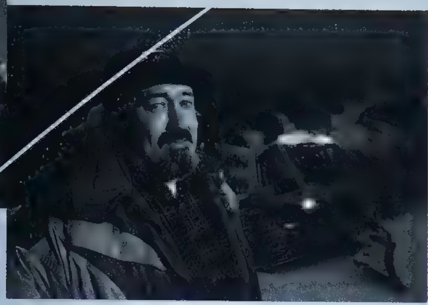
Resort Development List

Project Name	Ownership Interest	Total Units	Project Description and Status at August 31, 1997
BLACKCOMB			
One Whistler Village - Pan Pacific Lodge	100%	121	Condominium-hotel units for sale with retail and restaurant space; construction started June 1996 with scheduled completion December 1997; fully pre-sold.
Lost Lake Lodge	74%	100	Condominium-hotel units for sale; construction started May 1997 with scheduled completion July 1998; 93 units pre-sold.
Mountain Star	74%	28	Detached townhomes for sale; construction started April 1997 with scheduled completion December 1997; fully pre-sold.
The Cedars	74%	7	Townhomes for sale; construction to begin fall 1997 with scheduled completion summer 1998.
Pinnacle Heights	74%	10	Exclusive townhomes for sale; construction to begin fall 1997 with scheduled completion fall 1998.
The Ridge at Taluswood	87%	15	Townhomes for sale; construction started May 1997 with scheduled completion February 1998; 11 units pre-sold.
Taluswood Lands	87%	175	Land to be developed over four to five year period.
Blackcomb Lands	74%	155	Land to be developed over two to three year period.
WHISTLER			
Whistler Lands	100%	approx. 1,000	Land to be developed over 10 year period.
SNOWSHOE			
Camp 4	100%	89	Townhomes for sale; construction of Phase I (17 units) started May 1997 with scheduled completion December 1997; 5 units pre-sold. Future units to be developed over two to three year period.
Snowshoe Lands	100%	approx. 800	Land to be developed over 10 year period.
TREMBLANT			
Le Saint Andrew's	100%	14	Single-family lots for sale; construction of infrastructure completed August 1994; 9 lots sold.
Les Pignons	100%	15	Detached townhomes for sale; construction of Phase I (5 units) completed May 1996; 4 units sold. Construction of Phase II (10 units) started June 1997 with scheduled completion January 1998; 3 units sold.
L'Héritage	100%	18	Townhomes for sale; construction of Phase I (8 units) completed May 1996; fully sold. Construction of Phase II (10 units) completed June 1997; 8 units sold.
Le Kandahar	100%	104	Condominium-hotel units for sale with retail space; construction completed May 1997; 99 units sold.
L' Algonquin	100%	36	Townhomes for sale; construction started May 1997 with scheduled completion February 1998; 29 units pre-sold.
Le Lodge de la Montagne	100%	139	Condominium-hotel units for sale; construction to begin fall 1997 with scheduled completion fall 1998.
Shops, Restaurants, Retail	100%	approx. 9,000	Construction to begin spring 1998 with scheduled completion fall 1998.
Mont Tremblant Lands	100%	approx. 1,700	Land to be developed over 10 to 15 year period.
STRATTON			
SnowBridge	100%	36	Duplex townhomes for sale; construction started May 1997 with scheduled completion December 1997; 32 units pre-sold.
Long Trail House	100%	142	Condominium-hotel units for sale; construction to begin spring 1998 with scheduled completion summer 1999.
Stratton Lands	100%	approx. 1,200	Land to be developed over 10 to 15 year period.

Project Name	Ownership Interest	Total Units	Project Description and Status at August 31, 1997
KEYSTONE			
Arapahoe Lodge	50%	40	Condominium-hotel units for sale with retail and restaurant space; construction completed November 1996; 39 units sold.
Trappers Crossing	50%	36	Townhomes for sale; construction of Phase I (18 units) completed May 1997; 17 units sold. Construction of Phase II (18 units) started April 1997 with scheduled completion March 1998; 12 units pre-sold.
Ski Tip Ranch	50%	46	Townhomes for sale; Phase I (28 units) fully sold. Construction of Phase II (18 units) started May 1997 with scheduled completion March 1998; 5 units pre-sold.
Silver Mill	50%	130	Condominium-hotel units for sale with retail and restaurant space; construction started June 1996 with scheduled completion December 1997; 112 units pre-sold.
Buffalo Lodge & The Dakota	50%	157	Condominium-hotel units for sale; construction started May 1997 with scheduled completion September 1998; 111 units pre-sold.
Expedition Station	50%	92	Condominium-hotel units for sale; construction to begin spring 1998 with scheduled completion spring 1999.
Shops, Restaurants, Retail	50%	approx. 66,000 sq ft	Construction of Phase I (23,000 sq ft) completed December 1995. Construction of Phase II (11,000 sq ft) completed January 1997. Construction of Phase III (32,000 sq ft) started June 1996 with scheduled completion January 1998.
Keystone Lands	50%	approx. 2,700	Land to be developed over 10 to 15 year period.
PANORAMA			
Toby Creek and Horsethief Condominiums	100%	47	Renovation and sale of existing condominiums; 40 units sold.
Ski Tip Lodge	100%	33	Condominium-hotel units and Daylodge with retail and restaurant space; construction started April 1997 with scheduled completion February 1998; 24 units pre-sold.
Tamarack Lodge	100%	46	Condominium-hotel units for sale; construction started May 1997 with scheduled completion July 1998; 17 units pre-sold.
Greywolf Lots	100%	25	Single-family lots for sale; construction of infrastructure to begin September 1997 with scheduled completion October 1997.
Base Area Redevelopment and Golf Course Development Lands	100%	approx. 1,000	Land to be developed over 10 year period.
MAMMOTH			
Eagle Springs	100%	175	Condominium-hotel units for sale; construction to begin spring 1998 with scheduled completion fall 1999.
Sierra Star	100%	40	Townhomes for sale; construction to begin spring 1998 with scheduled completion winter 1998.
Mammoth Lands	100%	approx. 2,300	Land to be developed over 10 year period.
SUN PEAKS			
Fireside Lodge	100%	72	Condominium-hotel units for sale with commercial space; construction started May 1997 with scheduled completion April 1998; 29 units pre-sold.
Forest Trails	100%	36	Townhomes for sale; construction to begin spring 1998 with scheduled completion winter 1998.
Sun Peaks Lands	100%	approx. 100	Land to be developed over seven year period.
COPPER			
Copper Lands	100%	approx. 1,200	Land to be developed over 10 year period.
SQUAW VALLEY			
Squaw Valley Lands	100%	approx. 800	Land to be developed over five to eight year period.
MONT STE. MARIE			
Mont Ste. Marie Lands	100%		Total potential development under review.


attit
stoked
stoked
[to anticipate with great enthusiasm. totally excited.]

ude



determines

altitude

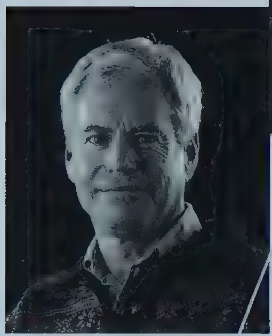
What drives the mountain resort business is the quality of the experience our guests and owners come away with. Every time up.

How high we rate depends greatly on the attitude of our people. The ones who help kids onto their first chair. Keep the sniffle stations stocked. Ski-cut the steepest slopes on early morning avalanche watch. Bake the fresh bagels. Tune the performance snowboard. Suggest the day's activities at the check-in. Serve that mountain-top candlelit dinner and make that important small design change to your mountain home.

Their aim is to lift the experience at each one of our resorts to record highs. Their attitude is infectious and their love for the mountain life propels the company's accelerating growth.

Experience Our People

"Generating growth at Intrawest follows a simple logic: We create a memorable mountain experience for our people...who create a memorable mountain experience for our guests...which results in financial success for Intrawest."



Hugh R. Smythe
President, Resort Operations Group

Kirsten Keller – Snowboarder Cum Laude

For Kirsten Keller, mountains and snow weren't part of the picture in southern Florida where she grew up. Surfing and skateboarding were, though, so when she first tried snowboarding in her junior year of college it was, she says, "instant love." In the summer of 1996, eager to combine her cum laude degree in graphic design with her love of snowboarding, she began interning at Snowshoe, where marketing vice president B.J. Hungate quickly recognized a winner and hired Kirsten full time. A year later she not only continues to do Snowshoe's graphic design work, she's also become centrally involved in the conception and construction of Snowshoe's new snowboard park. Says Kirsten, "One thing I really like about Snowshoe and Intrawest is that those of us who are young are able to become involved in creating great experiences for guests who are our age. It's exciting to have that responsibility."

attitude

New water park at Tremblant.

Bill Green – Peak Performer

To create a total mountain resort experience you need top-notch professional skills. But you also need an expert passion for the mountain experience. Skills and expert passion – a rare combination but one that Intrawest found in Bill Green.

First, the expert passion: Bill began skiing at age 6 and by his early twenties he not only had a BA from the University of Ottawa, he was also one of the best skiers in Canada, being chosen in 1983 to represent Canada at Interski, the quadrennial worldwide olympiad of technical skiing. As an elite skier he was able to experience the world's leading mountain resorts and acquire an in-depth understanding of what makes a resort great.

At age 26, Bill enrolled in and earned an MBA from Harvard Business School. At the same time, he completed course work at MIT's Center for Real Estate Development. Bill then used this education to found an Ottawa-based development company that generated sales in excess of $100 million.

On the personal side, Bill is married and has three daughters, snowboards during his lunch hours, has a black belt in Tae Kwon Do and is fluently bilingual (even at Intrawest he's an over-achiever).

Today Bill serves as Vice President, Real Estate Development at Tremblant, where he has helped bring $120 million worth of properties to market over the past two years. He has, moreover, helped bring to Tremblant's lodges and shops a rich sense of ski history and mountain ambience. Says Bill, "When people come to a mountain resort, they want to feel that they are in a place with a certain mystique and romance. We want to make sure that at Tremblant we build villages that bring those feelings to life for our owners and our guests. When we succeed – when we see adults and children walking around with stars in their eyes – it's a very gratifying feeling."

Management's Discussion and Analysis

Financial Highlights

1997 was a landmark year in the history of Intrawest. The Company acquired Whistler Mountain and Copper Mountain, two of the largest destination mountain resorts in North America, and Mont Ste. Marie, a small regional resort near Tremblant. The Company also listed its common shares on the New York Stock Exchange, raised $86.1 million net in a public share offering in Canada and the U.S., and completed a share capital reorganization resulting in the creation of separate classes of shares for the resort and the non-resort businesses.

These events, combined with the ongoing management of existing resorts and real estate properties, produced record financial results during 1997 and strengthened the Company's balance sheet. The financial highlights compared with 1996 include:

- a 37% increase in total revenue from $283.3 million to $389.0 million, with ski and resort revenue increasing 59% and real estate sales revenue increasing 6%.
- a 44% increase in income from continuing operations to $28.3 million and a 20% increase in income per share from continuing operations to $1.02. The public offering and shares issued in partial consideration for the acquisitions of Whistler and Copper increased the weighted average number of shares outstanding during 1997 by 21%.
- a 63% increase in operating profit from ski and resort operations and a 42% increase in operating profit from real estate sales.
- an increase in cash flow from operations of 61% to $57.5 million and cash flow per share of 40% to $1.87.
- a 72% increase in shareholders' equity reducing the debt to equity ratio from 1.31:1 to 0.98:1 at fiscal year end. This conservative leverage will facilitate access to new capital in the future.
- an increase in total assets of 46% to $1,098 million, with resort assets increasing 67% and non-resort assets decreasing 27%.

Review of Ski and Resort Operations

The acquisitions of Whistler Mountain, Copper Mountain and Mont Ste. Marie produced significant growth in the Company's ski and resort operations revenue and operating profits during 1997. With these acquisitions the Company now has a network of eight resorts, geographically diversified across North America's major ski regions. All resorts are owned 100%, except for Blackcomb, Panorama and Mammoth, which are owned 74%, 98% and 33% respectively. Mammoth has been accounted for as an equity investment and Intrawest's share of Mammoth's net income has been disclosed as income from equity accounted investment in the consolidated statement of operations. The discussion in this section of the Management's Discussion and Analysis therefore excludes the impact of Mammoth.

Revenue from ski and resort operations was $263.2 million in 1997, an increase of 59% from 1996. The three acquisitions added $86.7 million to revenue. On a same-resorts basis (excluding the acquisitions), ski and resort operations revenue increased 7% from $165.3 million to $176.5 million. This revenue was derived from a marginal increase in same-resorts skier visits from 2,484,000 to 2,509,000 and from 1,764,000 additional skier visits at the acquired resorts.

Blackcomb, Whistler and Tremblant all experienced record winter skier visits in 1997. At Tremblant skier visits increased 15% principally due to growth of the bed base at the resort (the available bed base doubled during the 1996/97 ski season as a result of the opening of Château Mont Tremblant and the Marriott Residence Inn) and to the continued establishment of the resort. Skier visits declined at Stratton and Snowshoe compared with 1996 mainly due to inconsistent weather conditions throughout the season.

Maximizing resort operations revenue requires the simultaneous management of both skier visits and revenue per visit. Historically, ski resort companies, including Intrawest, have calculated revenue per skier visit as total annual ski and resort revenue divided by winter skier visits. As the volume of summer and shoulder season business has expanded, this methodology is no longer appropriate. Accordingly, the analysis in this section will examine revenue per skier visit for the winter ski season only and then address non-winter ski and resort operations revenue as a whole. Intrawest's resorts currently derive between 70% and 90% of their ski and resort operation revenue during the winter season.

While skier visits increased by 1% on a same-resorts basis in 1997, winter revenue per skier visit increased by 5% from $56.83 to $59.76. Revenue per skier visit is a function of ticket prices and ticket yields, and revenue from non-ticket sources such as ski school, food services and retail and rental shops. Ticket yields reflect the mix of ticket types (e.g. adult, child, season pass, group) and the amount of discounting of full price tickets. The Company actively manages its ticket yields in order to drive the volume, timing and mix of visits and thereby maximize its ticket revenues. The Company also seeks to capture a high proportion of visitor spending by expanding and enhancing its range of non-ticket services and activities.

The improvement in same-resorts winter revenue per visit was mainly due to an increase in non-ticket revenue per visit. While ticket revenue per visit increased 2%, non-ticket winter revenue per visit increased 9%, with ski school and retail showing the largest increases. Each resort showed an increase in both ticket and non-ticket winter revenue per visit. The inclusion of the three acquisitions reduced the Company's overall winter revenue per visit in 1997 from $59.76 to $57.50. This was partly due to the timing of the acquisitions after the start of the winter season and partly to Copper's lower ticket yield and Whistler's lower non-ticket revenue per visit compared with the Company's other resorts. The opportunity to increase revenue per visit at the acquired resorts is significant.

Same-resorts non-winter ski and resort operations revenue was $27.1 million in 1997 compared with $24.5 million in 1996. The increase was partly due to the timing of the acquisition of Snowshoe midway through 1996 and partly to higher summer and shoulder season revenue at the other resorts. The acquisitions added a further $1.8 million to non-winter ski and resort operations revenue in 1997.

The following table shows the composition of ski and resort operations revenue for 1997 and 1996.

	1997		1996	
	Revenue (millions)	Proportion (%)	Revenue (millions)	Proportion (%)
Lifts	**$129.8**	49.3	$ 76.6	46.3
Retail shops	**39.5**	15.0	27.8	16.8
Food and beverage	**38.5**	14.6	22.2	13.4
Lodging and property management	**22.5**	8.6	21.4	13.0
Ski school	**18.1**	6.9	9.1	5.5
Golf, tennis and other	**14.8**	5.6	8.2	5.0
	$263.2	100.0	$165.3	100.0

The changes in the proportion of revenues accounted for by the various operating departments reflect the impact of the acquisitions. Both Whistler and Copper derived more than half of their revenue from lift ticket sales during 1997 and they had proportionately more food and beverage revenue and less retail and rental revenue compared with the Company's other resorts. In addition, Whistler does not have any lodging and property management operations.

One of Intrawest's key operating objectives over the past few years has been to increase the utilization of its ski and resort operations assets. One measure of the utilization of assets is the ratio of ski and resort operations revenue to fixed assets. An improvement in the revenue to assets ratio can be achieved by lengthening the operating season, increasing visits at non-peak times when there is excess capacity and increasing revenue per visit. On a same-resorts basis, the ratio of revenue to assets improved from 67% in 1996 to 69% in 1997. This increase was due mainly to the 5% rise in same-resorts winter revenue per skier visit.

Operating profit from ski and resort operations increased 63% to $67.4 million in 1997 from $41.4 million in 1996. Operating profit was higher at Blackcomb, Tremblant and Panorama than in 1996 and lower at Stratton and Snowshoe. Snowshoe's operating profit was higher in 1996 partly because normal seasonal losses during the July to November period occurred prior to the acquisition date. Similarly, operating profit generated by Whistler, Copper and Mont Ste. Marie was higher in 1997 than it would be in a normal year due to the mid-year timing of their acquisitions. The Company's operating margin improved from 25.0% in 1996 to 25.6% in 1997 and is expected to improve further in the future as Intrawest realizes economies of scale at the combined Whistler and Blackcomb operation and capitalizes on the bulk purchasing power of its network of resorts. The operating margin will also improve as the Company increases the utilization of its ski and resort operations assets across the winter season and throughout the year, and thereby achieves a more efficient cost structure.

Review of Resort Real Estate Operations

Revenue from the sale of resort real estate increased 6% to $118.2 million from $111.4 million in 1996. The breakdown by resort was as follows:

	1997	1996
	(millions of dollars)	
Blackcomb/Whistler	**$ 38.0**	$ 51.8
Tremblant	**39.1**	26.3
Keystone	**12.0**	15.8
Copper	**3.5**	–
Panorama	**3.0**	0.7
Sun Peaks	**1.1**	2.6
Resort Club	**21.5**	14.2
	$118.2	$111.4

In total, excluding the resort club, Intrawest closed 465 sales transactions in 1997 in 20 different projects compared with 474 transactions in 15 different projects in 1996. The majority of the sales at Blackcomb/Whistler were generated by Blackcomb Springs and Treeline. In addition, Intrawest sold its first units at Taluswood on the Creekside base of Whistler Mountain. At Tremblant the Company sold out the Château Mont Tremblant condominiums as well as its remaining inventory of Marriott and Johannsen/Deslauriers units and closed approximately 70% of the units in Le Kandahar on construction completion. Approximately 50% of the sales closings at Keystone were provided by Arapahoe Lodge, the third building in River Run Village, and the Company also sold out the first phase of the Ski Tip and Jackpine/Black Bear projects.

Since Intrawest's policy is to recognize real estate sales at the time title is conveyed to the purchaser and the purchaser becomes entitled to occupancy, and because the Company heavily pre-sells its projects prior to and during construction, the timing of construction completion is the largest determinant of recorded sales. At June 30, 1997, the Company had pre-sold 574 units for approximately $148 million which it expects to close in fiscal 1998 and a further $22 million of pre-sales due to close in fiscal 1999. The majority of these pre-sales were attained through the project sales launch strategy the Company first introduced in 1996. Under this approach properties are heavily marketed to a resort's database of most loyal customers and then qualified potential customers are invited to major sales launches where orders are taken. Use of this approach has generally resulted in pre-sales of 75% to 100% of the available units at the time of the sales launch.

In November 1996 Intrawest entered into an option agreement with the owner of Squaw Valley Ski Area at Lake Tahoe in California to acquire approximately 13.4 acres of land at the base of the ski facilities on which it plans to develop a four-season resort village. This is the Company's second real estate venture at a major U.S. resort that the Company does not own and Intrawest's selection by the resort owner points to the Company's stature as the leading developer of mountain resort real estate in North America. Including Squaw Valley, the Company has land available to develop and sell of approximately 15,000 units, a land position that is significantly larger

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than that controlled by any other North American mountain resort developer. Construction is underway on the Company's first projects at Stratton and Snowshoe and predevelopment work is proceeding at Mammoth, Whistler, Copper and Squaw Valley. As these new locations come on stream, the Company expects to deliver significantly more units per year than the 465 units sold in fiscal 1997. The Company's current supply of land can support this increased level of activity for the next 15 to 20 years and the Company's objective is to add to its supply of land at a faster rate than production but to do so on a risk mitigated basis.

The resort club contributed $21.5 million in sales revenue in 1997 compared with $14.2 million in 1996. This increase was due to significant improvements in the sales efficiency ratio (sales revenue per tour) and closing rates (the proportion of sales contracts written per tour) - key measures in the marketing-oriented resort club business. Both of these measures improved 30% during 1997 compared with 1996, that is each tour resulted in 30% more revenue and 30% more sales transactions in 1997 than in the previous year. The Company's approach is to use direct mail and telemarketing as well as on-site marketing to generate tours of the resort club facilities which leads to sales. The improvements were due to increased acceptance of the resort club product, more focused marketing programs, and changes in sales management personnel.

Operating profit on resort real estate sales increased 42% from $15.7 million in 1996 to $22.3 million in 1997. The resort club generated operating profit of $1.2 million in 1997 compared with a loss of $2.8 million in 1996. This turnaround was due to the sales improvements discussed above combined with reduced general and administrative costs resulting from the Company's decision to expand the business less rapidly than originally planned. Excluding the resort club, operating profit on resort real estate increased 14% from $18.5 million in 1996 to $21.1 million in 1997. The operating margin on these sales improved from 18.9% in 1996 to 21.8% in 1997 due to higher sales prices and effective cost control. Increasingly the Company has transferred successful "project templates" to new developments and this practice has helped to control costs by reducing design and engineering fees and eliminating construction uncertainties. The Company has also continued to enhance its project reporting systems so that potential cost overruns are detected at an early stage and remedial action taken.

Review of Corporate Operations

Income from Equity Accounted Investment

The Company's 33% share of Mammoth's net income was $1.2 million compared with $4.6 million in 1996. Mammoth was acquired in mid-December 1995, after the start of the ski season and therefore provided a disproportionately high contribution in fiscal 1996. The contribution this year includes normal losses prior to the start of the ski season as well as a full year's depreciation and interest charges. In addition Mammoth's effective income tax rate was 27% in 1996 compared with 40% in 1997 because of the application of tax loss carry forwards.

Interest and Other Income

Interest and other income increased by $2.0 million in 1997 to $3.2 million. Interest income on cash balances and receivables was $2.1 million in 1997, including $0.5 million from Whistler and Copper, compared with $1.3 million in 1996. Other income, which mainly comprises fee income and miscellaneous gains and losses, was $1.1 million in 1997 compared with a net loss of $0.1 million in 1996.

Interest Costs

The Company incurred total interest costs of $35.5 million in 1997 compared with $32.4 million in 1996. The acquisitions of Whistler, Copper and Mont Ste. Marie increased interest by $3.0 million, and a full year's interest at Snowshoe compared with seven months in 1996 added a further $1.5 million. Interest on new debt to fund capital improvements and real estate development activity at the resorts was offset by reduced interest on non-resort debt and generally lower interest rates in 1997.

Incurred interest is either capitalized to properties and resort assets under development or charged to income. During 1997 $26.4 million of interest was charged to income – $20.9 million as interest expense, $1.3 million as a component of real estate costs, $0.9 million within ski and resort operation expenses and $3.3 million in discontinued operations. By comparison, in 1996 $24.3 million of interest was charged to income. As Intrawest has expanded its ski and resort operations and started to generate real estate sales at more resorts, the proportion of interest incurred charged to income has increased – from 60% in 1995 to 74% in 1997.

Interest coverage measures a company's ability to fund interest costs from operations. Intrawest targets to cover its expensed interest by at least 2.0 times and its incurred interest by more than 1.2 times. Expensed interest coverage was 2.4 times (based on total interest charged to income) in 1997 compared with 1.9 times in 1996 and incurred interest coverage increased from 1.4 times in 1996 to 1.8 times in 1997.

Depreciation and Amortization

Depreciation and amortization expense increased from $17.2 million in 1996 to $26.0 million in 1997. The acquisitions of Whistler, Copper and Mont Ste. Marie increased depreciation and amortization by $5.1 million and 12 months of depreciation at Snowshoe versus seven months in 1996 added a further $1.0 million. The balance of the increase was attributable primarily to depreciation on new capital expenditures at the resorts and amortization of deferred charges.

General and Administrative Costs

All general and administrative costs incurred by the resorts are included in ski and resort operation expenses. Similarly, general and administrative costs related to the development of real estate are initially capitalized to properties, and then expensed to real estate costs when the properties are sold. Corporate general and administrative costs increased from $7.6 million in 1996 to $8.9 million in 1997. The increase was due mainly to incentive-based compensation. As a percentage of revenues, corporate general and administrative costs declined from 2.7% in 1996 to 2.3% in 1997. The Company continually reviews its overhead costs and has instituted procedures to reduce or eliminate costs where appropriate.

Income Taxes

The Company provided for income taxes of $7.1 million in 1997 compared with $1.2 million in 1996. The tax provision was higher in 1997 because of income taxes on increased taxable income earned in the United States due mainly to Copper. Additional information is provided in Note 12 of the consolidated financial statements.

Discontinued Operations

The consolidated financial statements disclose the results of the Company's non-resort business as discontinued operations. Effective March 14, 1997, Intrawest completed a reorganization of its share capital designed to separate the Company's remaining non-resort assets from the rest of its business. Under the share capital reorganization each existing common share was exchanged for one new common share and one non-resort preferred (NRP) share. The NRP shares were capitalized at a value of $88.5 million, equal to the net equity of the non-resort assets at December 31, 1996, and the book value of the common shares was reduced by the same amount. From January 1, 1997, the net income or loss and the net cash flow generated by these assets has accrued to the NRP shareholders.

The discontinued operations incurred a loss of $1.2 million in 1997 compared with a loss of $2.1 million in 1996. During 1997 the Company sold $40.8 million of non-resort properties including the majority of the residential units at Belltown Court in Seattle, the Shaughnessy Station shopping centre in metropolitan Vancouver and the 6th Avenue site in Calgary. Given current market conditions, Intrawest expects that its remaining non-resort properties will, in aggregate, be sold at approximately book value.

Review of Assets

Total assets grew by 46% to $1,098 million during 1997 with an increase in resort assets of $391.2 million being partially offset by a decline in discontinued non-resort assets of $45.0 million. The discontinued non-resort assets now constitute 12% of the Company's total assets compared with 22% at the end of fiscal 1996.

The increase in resort assets during 1997 was substantially due to the acquisitions of Whistler and Copper which respectively added $137.3 million and $118.3 million to assets at fiscal year end. Both of these resorts are among the largest in North America, and with the acquisition of the resort operations, the Company also acquired approximately 2,000 units of developable real estate. These land holdings will be developed over the next 10 to 15 years.

The $45.0 million decrease in non-resort assets comprises $26.2 million of net property disposals (principally Belltown Court and Shaughnessy Station) and $18.8 million of net reductions to receivables and other assets.

Capital Structure and Liquidity

Intrawest's debt to equity ratio was 0.98:1 at June 30, 1997 compared with 1.31:1 at June 30, 1996. The reduction resulted from a 72% increase in shareholders' equity partially offset by a 29% increase in debt. These changes have combined to strengthen the Company's balance sheet thereby improving its access to new capital to aid future growth.

On March 24, 1997, the Company listed its common shares on the New York Stock Exchange and on April 1, 1997 raised $86.1 million net in a public offering of 4 million common shares in Canada and the United States. The Company also issued 6.87 million common shares for $94.5 million in partial consideration for the Whistler and Copper acquisitions. These events, combined with proceeds from the exercise of stock options in the normal course, increased capital stock by 93% from $198.2 million at the end of fiscal 1996 to $382.3 million at June 30, 1997.

At June 30, 1997, total debt amounted to $489.8 million, an increase of $110.0 million from June 30, 1996. The increase was primarily attributable to the acquisitions of Whistler and Copper which together added $89.1 million of new resort and real estate debt at year end. Approximately $50.0 million of the share offering proceeds were used to repay acquisition financing and now both Whistler and Copper have capacity to take on increased debt for capital improvements. The balance of the increase in debt was mainly due to the refinancing of Stratton's and Snowshoe's ski and resort operations debt and increased construction financing at Keystone and Whistler/Blackcomb.

At June 30, 1997, 57% of total debt bore interest at floating rates, down slightly from 59% at June 30, 1996. Interim financing for real estate construction is normally arranged on a floating rate basis. Since the Company is engaged primarily in the development of projects with a short construction and sell-out timetable, exposure to higher interest rates on construction financing is not significant. Debt on defined-income stream properties (for example, commercial rental properties) is normally arranged on a longer-term, fixed-rate basis with the objective of matching the financing with the duration characteristics of the property. It is also the Company's policy to fix the interest on approximately 50% of its ski and resort operation debt, although a lower proportion may be hedged temporarily in anticipation of a refinancing. At year end, approximately 48% of ski and resort operation debt bore interest at floating rates. A 1% change in the rate of interest on this debt would impact annual earnings by about $1.5 million before income taxes.

The Company requires liquidity for debt service, capital expenditures and acquisitions. Funds for these purposes are provided by a combination of cash flow from operations and short and long-term borrowings (and, depending on the size of the acquisition, by equity capital). In addition, the Company's resorts generally have negative cash flows from May to October and revolving lines of credit are needed to finance working capital requirements during this period. Cash flow from operations was $57.5 million in 1997, 61% higher than in 1996. The reasons for this increase are described in the review of operations above.

During fiscal 1997 resort capital expenditures were $51.7 million, mainly comprising upgrades and expansion of Stratton's snowmaking system, the buyout of the ski operation land lease at Stratton, a second golf course at Tremblant, new trails at Blackcomb and information systems and grooming equipment at all resorts. The Company estimates that it will make capital expenditures totalling approximately $55 million in fiscal 1998. The major projects include two high-speed quad chairlifts at Whistler and one at Snowshoe, new trails and additional terrain park acreage at Blackcomb, employee

Management's Discussion and Analysis

housing at Whistler/Blackcomb and Snowshoe, completion of the golf courses at Tremblant and Panorama, and expansion of Snowshoe's snowmaking system. The majority of these expenditures will be financed by cash on hand.

The Company successfully retired or refinanced $121.3 million of debt which matured in1997. During 1998, $90.7 million of debt is scheduled to be repaid, $46.0 million of ski and resort operations debt and $44.7 million of debt on properties. A portion of the ski and resort operations debt is expected to be refinanced and the balance of the debt repayments will be funded from cash flow from operations. Subsequent to year end, approximately $65 million of debt at Tremblant was refinanced for a term of five years and the majority of this debt has been classified as long-term. The Company expects to fund most of the debt on properties repayments from property sales after completion of construction.

Intrawest plans to sell its remaining non-resort properties and to collect its non-resort receivables and other assets in an orderly manner over the next three to four years. The net cash flow generated by these assets, which is expected to be approximately $88 million, must be distributed to the NRP shareholders to redeem their shares. The first redemption, amounting to $9.0 million, and representing 10% of the number of NRP shares outstanding, will be made on September 30, 1997.

Intrawest's target is to retain approximately $40 million of cash balances and unused lines of credit at all times. At June 30, 1997, the Company held cash and unused lines of $77.9 million compared with $35.7 million at June 30, 1996. Subsequent to year end the Company obtained a $30.0 million increase in its corporate operating line of credit.

Risk and Risk Management

Intrawest's resort operations and resort real estate businesses are managed to deal with risks that are common to most companies, i.e. the risks of severe economic downturn, competition and currency fluctuations, and the more industry-specific risks of unfavourable weather patterns and construction overruns.

Economic Downturn

A severe economic downturn could reduce spending on resort vacations and weaken sales of recreational real estate. Although skiing is a discretionary recreational activity that one might expect to be impacted by a significant economic slowdown, Intrawest's operating results have historically not shown this to be the case. During 10 years of ownership of Blackcomb, cash flow increased every year despite widely varying economic conditions. Blackcomb, as well as Intrawest's other resorts, attract customers who have incomes well above the national average and are therefore less likely to have their vacation plans impacted by an economic recession. In addition, Intrawest's resorts draw their visitors from a wide variety of locations and this diversity shelters these resorts somewhat from regional economic conditions.

Real estate developers face two major risks from an economic downturn: land risk and completed inventory risk. Land risk arises when land is purchased with debt and economic conditions deteriorate resulting in higher holding costs and reduced profitability, or worse, loan defaults and foreclosure. Intrawest has reduced its land risk at certain of its resorts by acquiring land at low cost with the purchase of a resort or by securing land through options and joint ventures. The extensive land holdings at Tremblant, Stratton, Snowshoe and Panorama were all low-cost acquisitions with the resort. At Blackcomb and Squaw Valley, the Company secured its land holdings through options rather than outright purchases. Options are exercised for specific project sites only when permits are in place and construction is set to start. Similarly at Whistler the land acquisition financing is repaid when building permits are issued, subject to minimum annual repayments. Intrawest secured its land holdings at Keystone by forming a joint venture with the land owner under which land is only paid for as completed units are sold and construction financing is repaid.

Completed inventory risk arises when completed units cannot be sold and construction financing cannot be repaid. Intrawest has mitigated this risk by pre-selling a significant portion of its units prior to commencement of, and during, construction. At June 30, 1997 the Company had only 51 unsold units in its resort real estate inventory and 80% of the approximately 795 resort units under construction were pre-sold. The Company also reduces the risk of carrying surplus inventory by primarily constructing woodframe buildings. This type of product has a short construction timetable which means that it is less vulnerable to market shifts prior to completion. It also allows units to be delivered to market on a phased basis as demand dictates.

Competition

Intrawest's resorts compete for destination visitors with other mountain resorts in Canada, the United States, Europe and Japan. They also compete for day skiers with other ski areas within each resort's local market area. Skier visits in North America have been relatively flat over the past 10 years which has increased competition between resort owners. The Company's strategy is to acquire resorts that have natural competitive advantages, for example in terms of location, vertical drop and quality of terrain. The Company also enhances its competitive position by investing in capital improvements, such as snowmaking, high-speed lifts and on-mountain restaurants, and by ensuring high quality of service.

Intrawest also faces competition from other leisure industry companies, for example cruise ship lines and amusement parks. The Company's strategy is to build and establish a network of resorts and promote brand recognition to strengthen its competitive position vis-à-vis such competitors. The diversity of Intrawest's resorts in terms of vacation experience which provides guests with a variety of vacation choices within the Intrawest network also enhances the Company's competitive position.

The Company owns substantially all of the supply of developable land at the base of its resorts and hence competition in real estate is somewhat restricted. Expertise in all aspects of the development process, including resort master-planning, project design, construction, sales and marketing and property management also gives the Company a distinct competitive advantage. In the resort club business, Intrawest faces competition at Whistler from other timeshare operators. The Company has established a competitive position by offering a flexible

point-based system and a high standard of accommodation. At Tremblant, the Company is the only provider of vacation ownership product. The Company is exposed to competition from vacation ownership offerings at other resorts but is able to distinguish itself by its resorts' amenities, the quality of its real estate, and its unique relationships, for example its direct exchange program with Disney Vacation Club.

Currency Fluctuations

Over the past several years the Company's Canadian resort operations have benefited from the lower Canadian dollar relative to the U.S. dollar, the Japanese yen and European currencies. The price of a lift ticket at Intrawest's Canadian resorts has been 75% or less of the price at comparable U.S. resorts. Along with accommodation and food and beverage costs, this has made vacationing in Canada more affordable for destination visitors. A significant shift in the value of the Canadian dollar, particularly against its U.S. counterpart, could impact the Company's earnings from its Canadian assets.

Intrawest finances its U.S. dollar assets with U.S. dollar debt and hence is not exposed to foreign exchange risk with respect to its debt servicing. In addition, cash flow generated by U.S. operations is generally retained in the United States and invested in expansion of U.S. assets. Similarly cash flow generated at the Canadian resorts is generally reinvested in Canada. Cross border cash transactions and currency exchanges are kept to a minimum.

Unfavourable Weather Conditions

The Company's ability to attract visitors to its resorts is influenced by weather conditions and the amount of snowfall during the ski season. Intrawest manages its exposure to unfavourable weather in three ways: by being geographically diversified, by seeking to build its visits as evenly as possible through the seasons, and by investing in snowmaking.

Geographically diversified companies like Intrawest can reduce the risk associated with a particular region's economic and weather patterns. During the past three ski seasons, favourable and unfavourable weather conditions at different times at the eastern and western resorts offset one another, allowing the Company to meet its overall budgets for the resort operations group. The more a resort can attract its visits evenly through the season the less vulnerable it is to unfavourable weather at a particular time. Intrawest seeks to spread its visits by attempting to increase traffic mid-week and at non-peak times, and by marketing to destination visitors who book in advance, stay several days and are less likely than day visitors to change their vacation plans. The impact of poor natural snow conditions can also be mitigated by investing in snowmaking. Snowmaking is particularly important in eastern North America due to the number of competing resorts and less reliable snowfall. Intrawest has invested heavily in snowmaking over the past few years and currently has 99% snowmaking coverage at Snowshoe and 75% at each of Tremblant and Stratton.

Construction Overruns

Intrawest is not in the construction business but rather engages general contractors to construct its real estate projects. The Company's practice is to structure its construction contracts on a fixed-price basis so that cost overruns are at the contractor's risk. The Company also employs construction experts who oversee the general contractors and ensure that problems are properly and quickly resolved. The Company has also developed a comprehensive and sophisticated project reporting system which helps to prevent potential cost overruns from going undetected.

Outlook

Ski and Resort Operations

Intrawest now has a network of resorts that provides a solid foundation for future growth in earnings and cash flow. The merger of Whistler and Blackcomb into a single operating unit represents a significant opportunity to enhance revenues and realize cost efficiencies at the combined resort. At Copper, the Company's immediate-term focus is to increase its revenue and profit per visit to a level closer to its other resorts. The continued growth of the bed base at Tremblant, primarily due to the completion of Le Kandahar just before year end, and the momentum of the resort, is expected to increase skier visits and revenue per visit in 1998. The capital improvements currently underway at both Snowshoe and Panorama are expected to increase revenues and operating profits through all four seasons. The emphasis at Stratton is on improving margins by achieving a more balanced utilization of the resorts' assets through the season.

These individual resort initiatives will be augmented by a number of company-wide initiatives. The addition of Whistler and Copper significantly increases the purchasing power of the Company's network of resorts and strengthens its marketing opportunities. With eight resorts strategically located across North America's major ski areas, Intrawest is an attractive partner for corporate sponsors and for tour operators. The Company expects to reduce its costs and increase its visits and revenues by capitalizing on such relationships. Furthermore by banding its resorts together under the Intrawest brand name, the Company believes it can enhance customer loyalty and more effectively exploit cross-marketing opportunities.

The Company's resorts should also benefit from certain demographic and societal trends including the entry of the "echo boom" generation into their teenage years – the prime age for skiing and snowboarding – and the increasing popularity of mountain resort leisure activities.

Real Estate

The Company expects real estate revenues and operating profits to increase significantly in 1998 due to higher production levels at Whistler/Blackcomb, Panorama and Keystone, and sales of the first projects at Stratton and Snowshoe. At year end the Company already had pre-sales of approximately $148 million that it expects to close by June 30, 1998. Demographic trends are impacting mountain resort real estate in a similar fashion to resort operations. In particular, the "baby boom" generation is entering the 45 year and over age category, which is the age group with the largest number of buyers of recreation property. The resort club returned to profitability in 1997 and the Company expects this progress to continue during 1998. The second phases of the Blackcomb and Tremblant club locations are under construction and several other potential club locations are under review.

Management's Responsibility

The consolidated financial statements of Intrawest Corporation have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the preparation and presentation of the information contained in the consolidated financial statements and other sections of the annual report. The Company maintains appropriate systems of internal control, policies and procedures which provide management with reasonable assurance that assets are safeguarded and that financial records are reliable and form a proper basis for preparation of financial statements.

The Company's independent auditors, Coopers & Lybrand, have been appointed by the shareholders to express their professional opinion on the fairness of the consolidated financial statements. Their report is included below.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee which is composed entirely of outside directors. This committee reviews the consolidated financial statements and reports to the Board of Directors. The auditors have full and direct access to the Audit Committee.

Joe S. Houssian
Chairman, President and
Chief Executive Officer

September 5, 1997

Daniel O. Jarvis
Executive Vice President and
Chief Financial Officer

Auditors' Report

To the Shareholders of Intrawest Corporation

We have audited the consolidated balance sheets of Intrawest Corporation as at June 30, 1997 and 1996 and the consolidated statements of operations, retained earnings, cash flow from operations and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied, after giving retroactive effect to the change in the method of accounting for financial instruments as explained in note 2 to the consolidated financial statements, on a consistent basis.

Coopers & Lybrand

Chartered Accountants
Vancouver, British Columbia
September 5, 1997

Consolidated Statements of Operations

For the years ended June 30	1997	1996
	(in thousands of dollars except per share amounts)	
Revenue		
Ski and resort operations	**$263,239**	$165,282
Real estate sales	**118,190**	111,397
Rental properties	**3,143**	856
Income from equity accounted investment (note3(d))	**1,190**	4,621
Interest and other income	**3,213**	1,181
	388,975	283,337
Expenses		
Ski and resort operations	**195,851**	123,910
Real estate costs	**95,858**	95,699
Rental properties	**2,181**	559
Interest (note 15)	**20,914**	14,017
Depreciation and amortization	**25,966**	17,166
General and administrative	**8,916**	7,567
	349,686	258,918
Income before income taxes, non-controlling interest and discontinued operations	**39,289**	24,419
Provision for income taxes (note 12)	**7,067**	1,172
Income before non-controlling interest and discontinued operations	**32,222**	23,247
Non-controlling interest	**3,927**	3,590
Income from continuing operations	**28,295**	19,657
Results of discontinued operations (note 4)	**(1,202)**	(2,056)
Net income for the year	**$ 27,093**	$ 17,601
Income per common share		
Income from continuing operations	**$ 1.02**	$ 0.85
Net income*	**$ 1.05**	$ 0.76
Weighted average number of common shares outstanding (in thousands)	**27,809**	23,048

*Net income per common share for the year ended June 30, 1997 includes income per common share from discontinued operations for the six months ended December 31, 1996, amounting to $0.03. From January 1, 1997, the results of discontinued operations accrue to the holders of the Company's non-resort preferred shares (note 11(a)).

Consolidated Balance Sheets

As at June 30	1997	1996
		(in thousands of dollars)
Assets		
Current assets		
Cash and short-term deposits (note 14(b))	**$ 59,718**	$ 28,761
Other assets (note 8(a))	**18,585**	11,510
Amounts receivable (note 7)	**53,573**	61,369
Properties (note 6)		
Resort	**115,062**	80,613
Discontinued operations	**12,606**	34,828
	259,544	217,081
Ski and resort operations (note 5)	**406,643**	254,811
Goodwill (note 3(b) and (e))	**79,275**	23,220
Properties (note 6)		
Resort	**207,478**	126,470
Discontinued operations	**63,556**	67,539
Amounts receivable (note 7)	**41,080**	29,748
Other assets (note 8(b))	**40,375**	34,846
	$1,097,951	$753,715
Liabilities		
Current liabilities		
Amounts payable	**$ 71,290**	$ 50,016
Deferred revenue	**4,191**	3,137
Bank and other indebtedness, current portion (note 9)		
Resort	**88,565**	111,148
Discontinued operations	**2,173**	10,151
	166,219	174,452
Bank and other indebtedness (note 9)		
Resort	**357,438**	215,058
Discontinued operations	**41,580**	43,481
Due to joint venture partners (note 13)	**14,963**	15,069
Deferred revenue	**5,793**	5,373
Deferred income taxes	**2,583**	–
Non-controlling interest in subsidiaries	**11,307**	9,959
	599,883	463,392
Shareholders' Equity		
Capital stock (note 11)	**382,270**	198,179
Retained earnings	**111,649**	89,148
Foreign currency translation adjustment	**4,149**	2,996
	498,068	290,323
	$1,097,951	$753,715

Contingencies and commitments (note 14)

Approved on behalf of the Board

Joe S. Houssian
Director

Paul M. Manheim
Director

Consolidated Statements of Retained Earnings

For the years ended June 30	1997	1996
	(in thousands of dollars)	
Retained earnings – beginning of year		
As previously reported	**$ 90,385**	$75,233
Adoption of new accounting standard (note 2)	**(1,237)**	–
As restated	**89,148**	75,233
Net income for the year	**27,093**	17,601
Dividends	**(4,592)**	(3,686)
Retained earnings – end of year	**$111,649**	$89,148

Consolidated Statements of Cash Flow From Operations

For the years ended June 30	1997	1996
	(in thousands of dollars except per share amounts)	
Income before non-controlling interest and discontinued operations	**$32,222**	$23,247
Items not affecting cash		
Depreciation and amortization	**25,966**	17,166
Income from equity accounted investment	**(1,190)**	(4,621)
Deferred income taxes	**487**	–
Cash flow from operations	**$57,485**	$35,792
Cash flow per common share	**$ 1.87**	$ 1.34

Consolidated Statements of Changes in Financial Position

For the years ended June 30	1997	1996
		(in thousands of dollars)
Cash provided by (used for)		
Operating activities		
Cash flow from operations	**$ 57,485**	$ 35,792
Recovery of costs through real estate sales	**95,858**	95,699
Increase in amounts receivable, net	**(13,567)**	(12,870)
Acquisition and development of properties for sale	**(143,980)**	(149,935)
Other changes in non-cash operating working capital	**(13,241)**	10,989
Cash provided by discontinued operations	**41,962**	57,420
	24,517	37,095
Financing activities		
Bank and other borrowings, net	**30,096**	64,607
Issue of capital stock	**184,394**	411
Extinguishment of warrants, options and conversion privilege	**(303)**	(1,850)
Dividends paid	**(4,592)**	(3,686)
Distributions to non-controlling interests	**(2,579)**	(2,339)
	207,016	57,143
Investing activities		
Proceeds from revenue-producing properties, net	**1,375**	7,817
Expenditures on ski and resort operation assets	**(51,693)**	(28,098)
Acquisition of ski resort assets and investments	**(150,258)**	(63,073)
	(200,576)	(83,354)
Increase in cash and short-term deposits	**30,957**	10,884
Cash and short-term deposits – beginning of year	**28,761**	17,877
Cash and short-term deposits – end of year	**$ 59,718**	$ 28,761

Notes to Consolidated Financial Statements

For the Years Ended June 30, 1997 and 1996

(tabular amounts in thousands of dollars unless otherwise indicated)

Note 1 Significant Accounting Policies

General

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada as prescribed by The Canadian Institute of Chartered Accountants ("CICA"). Information regarding United States generally accepted accounting principles as it affects the Company is presented in note 20.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include:

(a) the accounts of the Company and its subsidiaries;

(b) the accounts of all incorporated and unincorporated joint ventures and non-controlled partnerships, to the extent of the Company's interest in their respective assets, liabilities, revenues and expenses.

The Company's principal subsidiaries and controlled partnerships accounted for as subsidiaries are as follows:

	Percentage interest held by the Company
Blackcomb Skiing Enterprises Ltd.	96.60
Blackcomb Skiing Enterprises Limited Partnership	74.38
Whistler Mountain Holdings Limited (note 3)	100.00
Mont Tremblant Resorts and Company, Limited Partnership	100.00
IW Resorts Limited Partnership	97.55
Mont Ste. Marie (1984) Inc. (note 3)	100.00
Intrawest Resort Ownership Corporation	100.00
Intrawest U.S.A., Inc.	100.00
Intrawest U.S. Holdings Inc.	100.00
Stratton Ski Corporation	100.00
Snowshoe Resort, Inc. (note 3)	100.00
Copper Mountain, Inc. (note 3)	100.00

The Company accounts for its 33% participating investment in Mammoth Mountain Ski Area by the equity method (note 3).

In connection with a covenant not to compete with Blackcomb Skiing Enterprises Limited Partnership, the Company has agreed to provide Nippon Cable Co., Ltd. ("Nippon"), one of the minority partners in Blackcomb, with an option to acquire a 23% interest in property and assets related to Whistler Mountain at a price based on the terms of the Whistler acquisition (note 3). The terms of the option and the structure of Nippon's investment are under negotiation. The option will be exercisable during the 30-day period ending November 30, 1997.

Ski and Resort Operations

The assets of the ski and resort operations are stated at cost less accumulated depreciation. Costs of ski lifts, area improvements and buildings are capitalized. Certain buildings, area improvements and equipment are located on leased or licensed land. Depreciation is provided over the estimated useful lives of each asset category using the declining balance method as follows.

Buildings	3.3% - 5%
Ski lifts	5% - 8%
Area improvements	2% - 3.3%
Automotive, furniture and other equipment	10% - 50%
Leased vehicles	20% - 25%

Inventories are recorded at the lower of cost and net realizable value.

Properties

(a) Properties under development and held for sale

Properties under development and held for sale are recorded at the lower of cost and net realizable value. Cost includes all expenditures incurred in connection with the acquisition, development and construction of these properties. These expenditures consist of all direct costs, interest on general and specific debt and general and administrative expenses. Revenue related specifically to such properties is treated as a reduction of costs.

Costs associated with the development and investigation of the vacation ownership business, including research, consulting, legal and other costs associated with the registration of the product and program, are capitalized. These costs are amortized on a straight-line basis over ten years.

Costs associated with the development of sales locations of the vacation ownership business, including operating and general and administrative costs incurred until a location is fully operational, are capitalized. Revenue related specifically to a location is treated as a reduction of costs during the start-up period. These costs are amortized on a straight-line basis over seven years. The Company provides for write-downs where the carrying value of a particular property exceeds its net realizable value.

(b) Revenue-producing properties

Revenue-producing properties are stated at the lower of cost, net of accumulated depreciation, and the net recoverable amount. Buildings are depreciated using the declining balance method at annual rates of 3.3% to 5%. Leasehold improvements and other tenant inducements are amortized using the straight-line method over the term of the lease, plus one renewal period. Furniture and equipment are depreciated on a declining balance basis at 20% per annum.

(c) Classification

Properties that are currently under development for sale and properties available for sale are classified as current assets. Related bank and other indebtedness is classified as a current liability.

Revenue Recognition

(a) Revenue from the sale of properties is recorded when title to the completed unit is conveyed to the purchaser and the purchaser becomes entitled to occupancy.

(b) Points revenue associated with membership in the vacation ownership business of the Intrawest Resort Club (which revenue is included in real estate sales) is recognized when the purchaser has paid the amount due on closing, all contract documentation has been executed and all other significant conditions of sale are met.

(c) Revenue from revenue-producing properties is recognized upon the earlier of attaining a break-even point in cash flow after debt servicing or the expiration of a reasonable period of time following substantial completion. Prior to this time, the properties are categorized as properties under development, and revenue related to such properties is applied to reduce development costs.

Administrative Furniture, Equipment and Leasehold Improvements

Administrative furniture and equipment are stated at cost less accumulated depreciation. Depreciation is provided using the declining balance method at annual rates of 20% and 30%.

Leasehold improvements are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the term of the lease, plus one renewal period.

Deferred Financing Costs

Deferred financing costs consist of legal and other fees related to the financing of the Company's ski and resort operations. These costs are amortized over the term of the financing.

Goodwill

Goodwill is amortized on the straight-line basis over a period of 40 years. In determining whether there is a permanent impairment in value, recoverability is based on estimated future cash flows.

Notes to Consolidated Financial Statements

Note 1 Significant Accounting Policies (continued)

Deferred Revenue

Deferred revenue mainly comprises season pass revenue and government grants. Deferred revenue which relates to the sale of season passes is recognized throughout the season based on the number of skier visits. Deferred revenue which relates to government grants for ski and resort operation assets is recognized on the same basis as the related assets are amortized. Deferred revenue which relates to government grants for properties under development is recognized as the properties are sold.

Income Taxes

Income taxes are provided at current rates for all items included in the statements of operations, regardless of the period when such items are reported for income tax purposes. No adjustment is made to deferred income tax accounts for subsequent changes in income tax rates.

Foreign Currency Translation

The Company's operations in the United States are of a self-sustaining nature. Assets and liabilities are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Revenue and expenses are translated at the weighted average rate for the year.

Cumulative gains or losses arising from the translation of the assets and liabilities of these operations are recorded as a separate component of shareholders' equity.

Interest Allocated To Discontinued Operations

Interest allocated to discontinued operations is the total of interest on debt directly attributable to the discontinued operations and an allocation of interest on general corporate debt not directly attributable to continuing operations.

Per Share Calculation

Income per common share has been calculated using the weighted average number of common shares outstanding during the year.

Cash Flow From Operations

Cash flow from operations is computed as income before non-controlling interest and discontinued operations adjusted for deferred income taxes, depreciation and amortization of capital items and other non-cash items. Cash flow from operations is different from cash flow from operating activities since it excludes the cash provided by or used for non-cash operating working capital accounts such as real estate inventory, amounts receivable and amounts payable. Cash flow from operations is reconciled to cash flow from operating activities in the consolidated statements of changes in financial position.

Note 2 Adoption of New Accounting Standard

Effective July 1, 1996, the Company has adopted, on a retroactive basis, the new CICA pronouncement on financial instruments as it affects convertible debt (note 11(c)), resulting in a decrease in results of discontinued operations for the year ended June 30, 1996 of $1,237,000, an increase in capital stock of $1,627,000 and a decrease in bank and other indebtedness of $390,000. This change in accounting policy has increased the loss from discontinued operations for the year ended June 30, 1997 by $118,000.

Note 3 Acquisitions

(a) Effective December 18, 1996, the Company acquired property and assets related to Copper Mountain, Inc. ("Copper") in Colorado, U.S.A. The transaction was accounted for by the purchase method. Copper's results of operations have been consolidated with the operations of the Company from the effective date of purchase.

Net assets acquired at fair market value	
Ski and resort operations	$69,417
Properties under development and held for sale	41,789
Net working capital	(7,702)
Assumption of debt	(26,989)
	76,515
Cash	1,067
	$77,582
Financed by	
Cash	$19,704
New bank and other indebtedness	18,003
Issue of 2,900,000 common shares	39,875
	$77,582

(b) Effective December 18, 1996, the Company acquired property and assets related to Whistler Mountain Holdings Limited ("Whistler") in British Columbia, Canada. The transaction was accounted for by the purchase method. Whistler's results of operations have been consolidated with the operations of the Company from the effective date of purchase.

Net assets acquired at fair market value	
Ski and resort operations	$49,926
Properties under development and held for sale	25,072
Goodwill	56,009
Net working capital	(7,499)
Assumption of debt	(51,789)
	$71,719
Financed by	
Cash	$ 1,031
New bank and other indebtedness	16,100
Issue of 3,970,000 common shares	54,588
	$71,719

(c) Effective December 21, 1996, the Company acquired property and assets for $957,000 cash related to Mont Ste. Marie (1984) Inc. ("Mont Ste. Marie") in Quebec, Canada. The transaction was accounted for by the purchase method. Mont Ste. Marie's results of operations have been consolidated with the operations of the Company from the effective date of purchase.

Net assets acquired at fair market value	
Ski and resort operations	$2,685
Net working capital	(300)
Assumption of debt	(1,428)
	$ 957

(d) Effective December 22, 1995, the Company acquired 33% of Mammoth Mountain Ski Area ("MMSA") in California, U.S.A. The Company's proportionate share of income from the date of acquisition as reported by MMSA, net of amortization of excess purchase price over net assets acquired, is included in income and added to the cost of the investment. The excess purchase price, U.S.$8,170,000, is attributable to the ski and resort operation assets and is being amortized over the estimated useful lives of these assets at the average rate of 6% per annum using the declining balance method.

(e) On November 27, 1995, the Company acquired property and assets related to Snowshoe Mountain Resort and Silver Creek Resort ("Snowshoe") in West Virginia, U.S.A. The transaction was accounted for by the purchase method. Snowshoe's results of operations have been consolidated with the operations of the Company from the effective date of purchase.

Net assets acquired at fair market value	
Ski and resort operations	$26,583
Goodwill	23,385
Net working capital	(4,071)
	45,897
Cash	4,771
	$50,668
Financed by	
Cash	$ 6,353
New bank and other indebtedness	43,390
Working capital adjustment	925
	$50,668

Note 4 Discontinued Operations

The Company plans to sell all of its remaining non-resort properties. For reporting purposes, the results of operations and cash flow from operating activities of this business have been disclosed separately from those of continuing operations for the periods presented.

The results of discontinued operations, including an allocation of interest expense, are as follows:

	1997	1996
Revenue	**$51,095**	$98,000
Loss before current income taxes	**(872)**	(1,886)
Provision for current income taxes	**330**	170
Loss from discontinued operations	**$ (1,202)**	$ (2,056)

The remaining assets and liabilities of discontinued operations are as follows:

	1997	1996
Current Assets		
Properties	**$12,606**	$34,828
Other current assets	**13,877**	36,437
Properties	**63,556**	67,539
Non-current assets	**30,472**	26,722
Current liabilities	**6,121**	15,168
Long-term debt and other liabilities	**41,361**	41,514

The cash flows from discontinued operations are as follows:

	1997	1996
Cash provided by (used for)		
Operating activities		
Results of discontinued operations	**$ (1,202)**	$ (2,056)
Depreciation and amortization	**1,626**	1,555
Cash flow from operations	**424**	(501)
Recovery of costs through real estate sales	**44,018**	91,366
Decrease (increase) in amounts receivable, net	**17,287**	(2,710)
Development of properties	**(20,520)**	(24,080)
Changes in other non-cash operating working capital	**753**	(6,655)
	41,962	57,420
Financing activity		
Bank and other borrowings, net	**(10,269)**	(48,892)
Investing activity		
Proceeds from revenue-producing properties, net	**888**	8,129
Increase in cash and short-term deposits	**$32,581**	$16,657

The holders of the non-resort preferred ("NRP") shares (note 11(a)) are entitled to receive the net cash flow from the discontinued operations from January 1, 1997 primarily by way of redemption of their NRP shares. Annual distributions of such cash flows are payable on September 30 of each year covering the period ended on the previous June 30. The net cash flow from the discontinued operations for the period from January 1, 1997 to June 30, 1997 was $13,606,000. After deducting a reserve of $4,591,000 (to cover potential working capital requirements as provided for in the rights and restrictions attached to the NRP shares), the net cash flow available to redeem NRP shares on September 30, 1997 was $9,015,000, representing 2,360,000 NRP shares at $3.82 per share.

Note 5 Ski and Resort Operations

1997	Cost	Accumulated depreciation	**Net**
Ski operations			
Land	$ 43,121	$ –	**$ 43,121**
Buildings	101,770	17,824	**83,946**
Ski lifts and area improvements	195,074	32,312	**162,762**
Automotive, furniture and other equipment	49,951	18,107	**31,844**
Leased vehicles	13,340	5,861	**7,479**
	403,256	74,104	**329,152**
Resort operations			
Land	8,171	–	**8,171**
Buildings	47,039	4,929	**42,110**
Area improvements	29,926	2,716	**27,210**
	85,136	7,645	**77,491**
	$488,392	$81,749	**$406,643**

1996	Cost	Accumulated depreciation	Net
Ski operations			
Land	$ 11,015	$ –	$ 11,015
Buildings	61,490	13,813	47,677
Ski lifts and area improvements	140,966	25,271	115,695
Automotive, furniture and other equipment	31,414	13,808	17,606
Leased vehicles	8,241	4,024	4,217
	253,126	56,916	196,210
Resort operations			
Land	7,931	–	7,931
Buildings	26,184	4,528	21,656
Area improvements	30,967	1,953	29,014
	65,082	6,481	58,601
	$318,208	$63,397	$254,811

The ski and resort operations have been pledged as security for certain of the Company's bank and other indebtedness (note 9).

Notes to Consolidated Financial Statements

Note 6 Properties

			1997
Properties under development and held for sale			
Acquisition costs			**$140,652**
Interest			**18,230**
Development costs			**157,174**
Administrative expenses			**15,807**
Net rental income			**(1,430)**
			330,433
	Cost	Accumulated depreciation	**Net**
Revenue-producing properties			
Land	$ 9,664	$ –	**9,664**
Buildings	60,720	6,328	**54,392**
Leasehold improvements and equipment	7,868	3,655	**4,213**
	$78,252	$9,983	**68,269**
			$398,702

			1996
Properties under development and held for sale			
Acquisition costs			$106,951
Interest			25,675
Development costs			103,484
Administrative expenses			21,195
Net rental income			(1,675)
			255,630
	Cost	Accumulated depreciation	Net
Revenue-producing properties			
Land	$ 9,570	$ –	9,570
Buildings	42,840	3,779	39,061
Leasehold improvements and equipment	9,370	4,181	5,189
	$61,780	$7,960	53,820
			$309,450

Properties are classified as follows for balance sheet purposes:

	1997	1996
Current assets		
Resort	**$115,062**	$ 80,613
Discontinued operations	**12,606**	34,828
Long-term assets		
Resort	**207,478**	126,470
Discontinued operations	**63,556**	67,539
	$398,702	$309,450

During the year ended June 30, 1997, $10,412,000 (1996 - $13,668,000) of interest (note 15) and $8,941,000 (1996 - $5,240,000) of administrative expenses were capitalized to properties.

Properties have been pledged as security for certain of the Company's bank and other indebtedness (note 9).

Note 7 Amounts Receivable

	1997	1996
Receivable from sales of real estate	**$15,132**	$15,294
Ski and resort operation receivables	**12,906**	7,145
Loans, mortgages and notes receivable (note 19 (b))	**53,053**	49,221
Funded senior employee share purchase plan (note 11(e))	**1,236**	1,606
Other accounts receivable	**12,326**	17,851
	94,653	91,117
Less: current portion	**53,573**	61,369
	$41,080	$29,748

Receivables are due approximately as follows:

Year ending June 30, 1998	$53,573
1999	16,361
2000	7,156
2001	2,258
2002	2,578
Subsequent to 2002	12,727
	$94,653

The loans, mortgages and notes receivable bear interest at both fixed and floating rates which averaged 8.51% per annum as at June 30, 1997 (1996 - 9.88%). These amounts have been pledged as security for certain of the Company's bank and other indebtedness (note 9).

Note 8 Other Assets

(a) Current

	1997	1996
Ski operation inventories	**$11,978**	$ 6,514
Prepaid expenses and other	**6,607**	4,996
	$18,585	$11,510

(b) Long-term

	1997	1996
Administrative furniture, equipment and leasehold improvements, at cost less accumulated depreciation of $4,696,000 (1996 - $2,952,000)	**$ 5,169**	$ 3,597
Deferred financing and other costs	**4,701**	4,277
Investment in Mammoth Mountain Ski Area, at equity	**18,511**	17,002
Investments, at cost	**8,794**	8,824
Other	**3,200**	1,146
	$40,375	$34,846

Investments include a limited partnership interest in the amount of $7,500,000 acquired as partial consideration in connection with the sale of a non-resort property. The partnership interest is expected to be fully recoverable out of the available annual cash flow and/or proceeds from the ultimate sale of the property.

Note 9 Bank and Other Indebtedness

The Company has obtained financing for its operations from various financial institutions by pledging individual assets as security for such financing. Security for general corporate debt is provided by general security which includes a floating charge on the Company's assets and undertakings, fixed charges on real estate properties, and assignment of mortgages and notes receivable. The following table summarizes the primary security provided by the Company, where appropriate, and indicates the applicable type of financing, maturity dates and the weighted average interest rate at June 30, 1997.

	Maturity dates	Weighted average interest rate	1997	1996
Ski and resort operations				
Mortgages and bank loans	Demand-2017	6.16%	**$279,732**	$197,913
Obligations under capital leases	1998-2001	8.77%	**9,370**	8,608
			289,102	206,521
Properties				
Interim financing on properties under development and held for sale	1998-2009	5.96%	**133,743**	85,067
Mortgages on revenue-producing properties	1998-2034	7.60%	**37,865**	38,884
			171,608	123,951
General corporate debt	1998-1999	8.00%	**4,046**	24,366
Unsecured debenture	2003	9.32%	**25,000**	25,000
		6.44%	**489,756**	379,838
Less: current portion			**90,738**	121,299
			$399,018	$258,539

Principal repayments and the components related to either floating or fixed interest rates are as follows:

	Interest Rates		Repayments
	Floating	Fixed	
Year ending June 30, 1998	$ 59,956	$ 30,782	$ 90,738
1999	23,603	41,740	65,343
2000	16,039	16,200	32,239
2001	20,526	39,496	60,022
2002	65,122	13,393	78,515
Subsequent to 2002	91,526	71,373	162,899
	$276,772	$212,984	$489,756

The Company has entered into a swap agreement to fix the interest rate on a portion of its floating rate debt. The Company has $30,000,000 of bank loans swapped against debt with a fixed interest rate of 8.25%, including applicable stamping fees, under an agreement expiring in 2002.

Certain amounts owing to banks are evidenced by demand notes which are classified for repayment according to expected or agreed settlement dates.

Bank and other indebtedness of $194,447,000 (1996 - $149,165,000) is guaranteed by the Company in addition to being secured by the specific property or asset.

Bank and other indebtedness includes indebtedness in the amount of $207,800,000 (1996 - $141,642,000), which is repayable in United States dollars of $150,525,000 (1996 - $103,866,000).

The Company is committed to capital lease obligations as follows:

	1997	1996
Minimum lease payments	**$10,526**	$10,053
Less: interest	**1,156**	1,445
Lease principal obligation	**$ 9,370**	$ 8,608

Future minimum lease payments are as follows:

Year ending June 30, 1998	$ 4,952
1999	3,431
2000	1,290
2001	550
2002	296
Subsequent to 2002	7
	$10,526

Note 10 Government Assistance

The federal government and the Province of Quebec have granted financial assistance to the Company in the form of interest-free loans and grants for the construction of specified four-season tourist facilities at Mont Tremblant. The loans, which will total $20,100,000 when they are fully advanced, are repayable over seven years starting in 2000. At June 30, 1997, the Company had received $17,693,000 of interest-free loans (1996 - $17,338,000) which amounts are included in bank and other indebtedness. The grants, which will total $11,600,000 when they are fully advanced, amounted to $9,642,000 at June 30, 1997 (1996 - $8,137,000). The grants received during the year ended June 30, 1997 amounting to $1,505,000 (1996 - $3,177,000) have been credited as follows: $nil (1996 - $567,000) to ski and resort operation assets, $nil (1996 - $919,000) to properties and $1,505,000 (1996 - $1,691,000) to cost of real estate sales.

Note 11 Capital Stock

(a) Share Capital Reorganization

Effective March 14, 1997, the Company completed a reorganization of its share capital designed to separate the remaining non-resort real estate assets from the rest of the Company's business. Under the reorganization, each existing common share was exchanged for one new common share and one NRP share. The new common shares have the same attributes as the old common shares.

The NRP shares were recorded at a value of $88,543,000 before deduction of issue costs of $329,000 ($3.82 per share), equal to the book value of the net equity of the non-resort assets at December 31, 1996, and the book value of the common shares was reduced by the same amount. The Company expects that the non-resort assets will be disposed of in an orderly manner and the net cash flow from these assets distributed to the NRP shareholders, primarily by way of redemption of their shares as described in note 4. The amount ultimately realized will be subject to prevailing real estate market conditions. As at June 30, 1997, the book value of the net equity of the non-resort assets was $86,635,000.

All stock option information is stated to reflect the share capital reorganization.

(b) Capital Stock

The Company's capital stock comprises the following:

	1997	1996
Common shares	**$293,649**	$198,179
NRP shares	**88,621**	–
	$382,270	$198,179

Notes to Consolidated Financial Statements

Note 11 Capital Stock (continued)

i. Common Shares

Authorized - 50,000,000 without par value.

Issued -

	1997		1996	
	Number of common shares	Amount	Number of common shares	Amount
Balance at beginning of year	23,063,490	**$198,179**	23,026,790	$197,991
Adoption of new accounting standard (note 2)	–	**–**	–	1,627
Reorganization of shares	–	**(88,543)**	–	–
Issued for acquisitions (note 3)	6,870,000	**94,463**	–	–
Issued for cash, net of issue costs	4,000,000	**86,129**	–	–
Issued on exercise of option	123,146	**1,236**	–	–
Funded senior employee share purchase and stock option plans	224,900	**2,488**	36,700	411
Extinguishment of warrants, options and conversion privilege	–	**(303)**	–	(1,850)
Balance at end of year	34,281,536	**$293,649**	23,063,490	$198,179

ii. NRP Shares

Authorized - 50,000,000 without par value, redeemable at $3.82 per share except for the final redemption which shall be subject to a premium or discount based on available cash flow relating to the non-resort assets.

Issued -

	1997	
	Number of NRP shares	Amount
Issued on reorganization of share capital, net of issue costs	23,198,190	**$88,214**
Issued on exercise of option	123,146	**134**
Stock option plan	226,600	**273**
Balance at end of year	23,547,936	**$88,621**

iii. Preferred Shares

Authorized - 10,000,000 without par value.

Issued - nil

(c) Stock Options

The Company has a stock option plan which provides for grants to officers and employees of the Company and its subsidiaries of options to purchase common shares and NRP shares of the Company. Options granted under the stock option plan vest equally over a period of five years. At June 30, 1997, stock options outstanding totalled 1,960,800 common shares, exercisable at prices from $9.51 to $20.15, expiring up to 2007 and 1,824,400 NRP shares exercisable at prices from $1.04 to $2.20, expiring up to 2007. During the year ended June 30, 1997, options were exercised for 224,900 common shares and 226,600 NRP shares. In addition, options for 35,000 common shares were extinguished.

In 1993 the Company issued a warrant in connection with an unsecured debenture. The warrant holder had the right to acquire 450,000 common shares at $14.375 per share, expiring in September 1996. During the year ended June 30, 1996, the Company extinguished the warrant.

During the year ended September 30, 1992, the Company granted an option to purchase 123,146 common shares at a price of $10.035 per common share and 123,146 NRP shares at a price of $1.09 per NRP share in connection with a loan guarantee for the financing of certain capital improvements. During the year ended June 30, 1997, this option was exercised. In addition, the Company granted to a property lender (note 19(c)) the right to convert its loan of $8,600,000 on August 31, 1999 into 637,037 common shares at a conversion price of $12.18 per common share and 637,037 NRP shares at a conversion price of $1.32 per NRP share. During the year ended June 30, 1996, the property was sold and the Company repaid half of the debt as well as an accrued return of $1,158,000 and this extinguished the conversion privilege with respect to 318,518 common and NRP shares.

(d) Employee Share Purchase Plan

The employee share purchase plan permits full-time employees of the Company and its subsidiaries and limited partnerships to purchase common shares through payroll deductions. The Company contributes $1 for every $3 contributed by an employee. To June 30, 1997, a total of 65,809 (1996 - 65,809) common shares have been issued from treasury under this plan. The board of directors has authorized and reserved a further 100,000 common shares for issuance under this plan.

(e) Funded Senior Employee Share Purchase Plan

The Company has a funded senior employee share purchase plan which provides for loans to be made to designated eligible employees to be used to subscribe for common shares. At June 30, 1997, loans to employees under the funded senior employee share purchase plan amounted to $1,236,000 with respect to 136,850 common shares and 128,750 NRP shares (1996 - $1,606,000 with respect to 171,350 common shares). The loans are interest-free, secured by a promissory note and a pledge of the shares and mature by 2005. The board of directors has authorized and reserved a further 100,000 common shares for issuance under this plan.

Note 12 Income Taxes

(a) Provision for income taxes

	1997	1996
Current	**$6,580**	$1,172
Deferred	**487**	–
	$7,067	$1,172

The reconciliation of income taxes calculated at the statutory rate to the actual income tax provision is as follows:

	1997	1996
Statutory rate	**45.6%**	45.6%
Income tax charge at statutory rate	**$17,510**	$10,275
Non-deductible depreciation and amortization	**782**	–
Large Corporations Tax	**1,437**	848
Taxes related to non-controlling interest share of earnings	**(1,532)**	(1,427)
Taxes related to equity accounted investment	**(542)**	(2,106)
Foreign taxes different from statutory rate	**(5,576)**	(1,870)
Realization of tax losses of subsidiary	**–**	(2,287)
Additional amounts deductible related to properties and ski and resort operation assets (see (b) below)	**(5,735)**	(2,585)
Other	**1,053**	494
	7,397	1,342
Less: current income taxes related to discontinued operations	**330**	170
Provision for income taxes	**$ 7,067**	$ 1,172

(b) Certain properties and ski and resort operation assets were acquired at a tax value in excess of their recorded value, with the result that a deferred income tax provision was not required. In addition, certain subsidiaries of the Company have losses available to carry forward for income tax purposes for which the potential income tax benefits have not been recognized. At June 30, 1997, approximately $31,370,000 has not been recognized for accounting purposes.

Note 13 Joint Ventures

The following amounts represent the Company's proportionate interest in joint ventures and non-controlled partnerships:

	1997	1996
Properties, current	**$28,671**	$55,386
Other current assets	**8,572**	18,088
	37,243	73,474
Current liabilities	**(31,469)**	(31,761)
Working capital	**5,774**	41,713
Properties, non-current	**101,223**	75,113
Long-term debt	**(59,434)**	(32,173)
Other, net	**379**	(15,047)
	$47,942	$69,606

	1997	1996
Revenue	**$21,457**	$30,320
Expenses	**19,646**	28,358
Income from continuing operations	**1,811**	1,962
Results of discontinued operations	**996**	222
	$ 2,807	$ 2,184

	1997	1996
Cash provided by (used for)		
Operating activities		
Income	**$ 1,811**	$ 1,962
Depreciation and amortization	**1,078**	316
Other non-cash items net of changes in operating working capital	**(21,489)**	(28,848)
Cash provided by discontinued operations	**32,856**	1,036
	14,256	(25,534)
Financing activity		
Bank and other borrowings, net	**6,324**	1,655
Investing activity		
Proceeds from (expenditures on) revenue-producing properties, net	**(1,064)**	108
Increase (decrease) in cash and short-term deposits	**$19,516**	$(23,771)

The amount payable to the Company's joint venture partners in various properties, net of amounts receivable, results from the use of the proportionate consolidation method of accounting. Payments to the joint venture partners are governed by the terms of the respective joint venture agreement.

Note 14 Contingencies and Commitments

(a) The Company holds the licences and land leases with respect to six of its ski operations. These leases expire at various times between 2032 and 2051 and provide for annual payments generally in the range of 2% of defined gross revenues.

(b) Cash and short-term deposits include amounts totalling $7,995,000 (1996 - $4,050,000) that can only be used for specific purposes or held as security.

(c) The Company has estimated costs to complete ski and resort operation assets and properties currently under construction and held for sale amounting to $154,654,000 at June 30, 1997 (1996 - $118,246,000). The Company has financing commitments of $128,372,000 (1996 - $100,738,000) related to these costs.

(d) The Company has entered into various operating lease commitments, aggregating $15,110,000 (1996 - $8,889,000), payable as follows:

Year ending June 30, 1998	$ 3,344
1999	2,803
2000	2,536
2001	2,336
2002	1,513
Subsequent to 2002	2,578
	$15,110

(e) The Company is contingently liable for $44,496,000 of indebtedness at June 30, 1997, of which $41,496,000 relates to certain non-resort properties under development sold during the year ended September 30, 1994 (note 19(b)). The purchasers of these properties have provided guarantees to the Company in respect of the indebtedness and have indemnified the Company for any potential losses resulting from the contingent liability.

(f) The Company is contingently liable for the obligations of certain joint ventures and limited partnerships. The assets of these joint ventures and limited partnerships, which in all cases exceed the obligations, are available to satisfy such obligations.

(g) The Company has received reassessments for the 1986 to 1989 taxation years that significantly increase Blackcomb Skiing Enterprises Ltd.'s income for tax purposes. The Company has filed notices of objection to the reassessments. In addition, Blackcomb Skiing Enterprises Ltd. has filed amendments to its 1982 to 1991 income tax returns to claim additional capital cost allowance to reduce the proposed increase in income for tax purposes. The potential tax liability is approximately $4,900,000, which is composed of current taxes of $2,200,000, including interest, and deferred income taxes of $2,700,000. In March 1994 the Company paid $1,585,000 to Revenue Canada, Taxation as required by legislation when a notice of objection is filed. This amount is included in amounts receivable as the outcome of these reassessments cannot be determined at this time.

Note 15 Interest Expense

	1997	1996
Total interest incurred	**$35,535**	$32,406
Less: interest capitalized to ski and resort operation assets	**771**	459
interest capitalized to properties, net of capitalized interest recorded in real estate cost of sales of $1,271,000 and in discontinued operations of $784,000 (1996 - $2,551,000 and $3,463,000, respectively)	**8,357**	7,654
	$26,407	$24,293
Interest was charged to income as follows:		
Real estate costs	**$ 1,271**	$ 2,371
Ski operations - employee housing	**945**	920
Interest expense	**20,914**	14,017
Discontinued operations	**3,277**	6,985
	$26,407	$24,293

Real estate costs and discontinued operations also include $3,430,000 (1996 - $517,000) and $3,518,000 (1996 - $8,545,000), respectively, of interest incurred in prior years.

Note 16 Fair Value of Financial Instruments

The Company has various financial instruments including cash and cash equivalents, amounts receivable, loans, mortgages and notes receivable, amounts payable and accrued liabilities. Due to their short-term maturity or, in the case of loans, mortgages and notes receivable, their market comparable interest rates, the book value approximates fair value. Debt and interest swap agreements are also financial instruments. The fair values at June 30, 1997 and 1996 were estimated by discounting future cash flows at estimated market rates and are summarized as follows:

	1997		1996	
	Book value	Fair value	Book value	Fair value
Debt and interest swap agreements	**$489,756**	**$475,063**	$380,228	$360,271

Notes to Consolidated Financial Statements

Note 17 Pension Plans

Effective January 1, 1995, the Company introduced two defined benefit pension plans for certain of its senior executives. The value of the pension fund assets at June 30, 1997 and the present value of the accrued pension benefits attributed to services rendered up to June 30, 1997 are $1,386,000 and $3,764,000, respectively (1996 - $862,000 and $3,376,000, respectively).

Note 18 Segmented Information

Industry and geographical information related to the Company's continuing operations is as follows:

(a) Industry Segments

	1997	1996
Revenue		
Ski and resort operations	$ 265,492	$170,986
Real estate operations	123,483	112,351
Consolidated	$ 388,975	$283,337
Operating profit after deducting depreciation and amortization		
Ski and resort operations	$ 46,437	$ 31,030
Real estate operations	22,682	14,973
	$ 69,119	46,003
Less: unallocated corporate expenses		
Interest	(20,914)	(14,017)
General and administrative	(8,916)	(7,567)
Consolidated	$ 39,289	$ 24,419
Identifiable assets		
Ski and resort operations	$ 576,991	$324,714
Real estate operations	400,449	263,475
Discontinued operations	120,511	165,526
Consolidated	$1,097,951	$753,715
Capital acquisitions		
Ski and resort operations	$ 51,693	$ 28,098
Depreciation and amortization		
Ski and resort operations	$ 23,204	$ 16,045
Real estate operations	1,740	668
Unallocated corporate	1,022	453
Consolidated	$ 25,966	$ 17,166

(b) Geographic Segments

	1997	1996
Revenue		
Canada	$ 255,016	$193,579
United States	133,959	89,758
Consolidated	$ 388,975	$283,337
Operating profit after deducting depreciation and amortization		
Canada	$ 33,143	$ 7,738
United States	6,146	16,681
Consolidated	$ 39,289	$ 24,419
Identifiable assets		
Canada	$ 593,134	$395,580
United States	384,306	192,609
Discontinued operations	120,511	165,526
Consolidated	$1,097,951	$753,715

Note 19 Related Party Transactions

(a) Amounts receivable include loans of $1,490,000 (1996 - $1,490,000) advanced, in connection with the Canadian tax liabilities incurred as a result of the reorganization of the Company in 1990, to shareholders which are holding companies controlled by a director of the Company. The loans are interest-free and mature in December 1997.

(b) Effective April 1, 1994, the Company sold substantially all of its industrial and non-resort residential properties under development in British Columbia and Washington State to two partnerships formed by a group of investors. The managing general partners of the partnerships are corporations controlled by a director of the Company. The consideration for the sale included a vendor takeback note for $31,700,000 which was originally scheduled to be fully repaid, with interest at 10.75% per annum, in semi-annual instalments by September 30, 1997. To June 30, 1997, the partnerships had repaid $12,160,000 and the repayment of the balance, with interest at 10% per annum, has been renegotiated as follows:

September 30, 1997	$ 3,500
March 31, 1998	3,500
September 30, 1998	3,500
March 31, 1999	3,500
September 30, 1999	5,540
	$19,540

Subject to full repayment by September 30, 1999 and a 1% extension fee, the partnerships have the right to defer any principal payment for up to six months so long as only one payment is deferred at any one time. The partnerships paid $2,627,000 of interest on the note receivable during the year ended June 30, 1997, and at June 30, 1997, $523,000 (1996 - $775,000) of interest was accrued and outstanding.

The Company has committed to provide the partnerships various credit facilities up to September 30, 1999, including a $7,000,000 (reducing to $5,500,000 at September 30, 1998) revolving line of credit and a non-revolving loan for $1,800,000, to fund costs in connection with a specific project. These loans earn interest at prime plus 2%. At June 30, 1997, $8,421,000 (1996 - $8,015,000) was advanced under these facilities and accrued and unpaid interest amounted to $46,000. In addition, the Company has agreed to provide financial assistance by way of continuing liability under the assumed bank indebtedness and liability in respect of certain letters of credit. The Company earns fees in consideration for this financial assistance. The partnerships have guaranteed repayment of these facilities and indemnified the Company for any losses under them.

The Company has engaged the partnerships to provide specified services in connection with the development, property management, marketing and sale of its remaining non-resort properties. For the year ended June 30, 1997, the Company incurred net costs of $2,353,000 (1996 - $1,719,000) in respect of these services.

(c) Bank and other indebtedness at June 30, 1997 includes the following amounts due to significant corporate shareholders of the Company who are represented on the Company's Board of Directors:

i. a convertible loan of $4,300,000 (1996 - $4,300,000), which bears interest at 8% per annum, is collateralized by a second mortgage over a non-resort property and the limited partnership interest (note 8) and is due on August 31, 1999;

ii. a loan of U.S. $1,284,000 (1996 - U.S. $1,284,000), which bears interest at prime plus 1.25% per annum, is collateralized by a property under development and is due on April 30, 1998.

(d) All related party transactions described above have been recorded at the amounts paid or received as established and agreed upon by the Company and the related party.

Note 20 Differences Between Canadian and United States Generally Accepted Accounting Principles

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. The principles adopted in these financial statements conform in all material respects to those generally accepted in the United States except as summarized below:

		1997	1996
Net income from continuing operations in accordance with Canadian GAAP		**$ 28,295**	$ 19,657
Effects of differences in accounting for:			
Extinguishment of options and warrants (b)		**(303)**	(399)
Investment income (c)		**(95)**	(370)
Cost of sales pursuant to SFAS 109 (g)		**(258)**	–
Depreciation pursuant to SFAS109 (g)		**(335)**	–
Amortization of negative goodwill pursuant to SFAS 109 (g)		**1,457**	–
Provision for deferred taxes pursuant to SFAS 109 (g)		**(652)**	–
Net income from continuing operations in accordance with United States GAAP		**28,109**	18,888
Results of discontinued operations in accordance with Canadian GAAP		**(1,202)**	(2,056)
Effects of differences in accounting for:			
Depreciation (a)		**(760)**	(854)
Extinguishment of options and warrants (b)		**–**	(1,451)
Financial instruments (f)		**118**	1,237
Income tax effect of depreciation adjustment		**304**	–
Results of discontinued operations in accordance with United States GAAP		**(1,540)**	(3,124)
Net income in accordance with United States GAAP		**26,569**	15,764
Opening retained earnings in accordance with United States GAAP (d)		**85,225**	73,147
Common share dividends		**(4,592)**	(3,686)
Closing retained earnings in accordance with United States GAAP		**$107,202**	$ 85,225
Weighted average number of common shares outstanding and common stock equivalents (in thousands)		**28,674**	23,388
Income per common share (primary and fully diluted; in dollars)			
Income from continuing operations		**$ 0.98**	$ 0.81
Net income		**$ 1.01**	$ 0.67
Capital stock in accordance with Canadian GAAP		**$382,270**	$198,179
Effects of differences in accounting for:			
Extinguishment of options and warrants (b)	710	**2,153**	1,850
Shareholder loans (e)		**(1,236)**	(1,606)
Financial instruments (f)		**(1,627)**	(1,627)
Capital stock in accordance with United States GAAP	382,270	**381,560** 710	196,796
Closing retained earnings in accordance with United States GAAP	111,649	**107,202** 4447	85,225
Foreign currency translation adjustment	4149	**4,149**	2,996
Shareholders' equity in accordance with United States GAAP		**$492,911**	$285,017

(a) Depreciation

Certain of the Company's revenue producing properties are depreciated using the sinking fund method of depreciation. This method is not allowed under United States GAAP, accordingly depreciation has been recalculated over the estimated useful life (25 - 40 years) of each property using the straight-line method.

The net impact is a reduction of $938,000 at June 30, 1997 (1996 - $938,000) in resort properties and a reduction of $2,761,000 at June 30, 1997 (June 30, 1996 - $2,002,000) in non-resort properties.

(b) Extinguishment of Options and Warrants

Payments made to extinguish options and warrants can be treated as capital items under Canadian GAAP. These payments would be treated as income items under United States GAAP.

(c) Investment Income

Earnings of equity accounted investees have not been fully tax effected for Canadian GAAP. Under United States GAAP, these earnings must be tax effected, normally using capital gains rates. Based on United States tax regulations, additional tax of $95,000 would be recognized in the year ended June 30, 1997 (June 30, 1996 - $370,000).

(d) Retained Earnings

Opening retained earnings in accordance with United States GAAP for the year ended June 30, 1996 includes the effect of recalculating depreciation expense as described in (a) above. The net decrease in retained earnings was $2,085,000.

(e) Shareholders' Equity

The Company accounts for loans provided to senior employees for the purchase of shares as amounts receivable. Under United States GAAP, these loans, totalling $1,236,000 and $1,606,000 as at June 30, 1997 and 1996, respectively, would be deducted from share capital.

(f) Financial Instruments

Under Canadian GAAP, the components of convertible debt instruments are classified as a liability or as equity in accordance with the substance of the contractual arrangement (note 2). The interest expense included in the loss from discontinued operations would not exist under United States GAAP as there is no such requirement.

(g) Income Taxes

The Company has adopted Statement of Financial Accounting Standards ("SFAS") 109, Accounting for Income Taxes, for the financial statement amounts presented under United States GAAP. SFAS 109 requires that deferred tax liabilities or assets be recognized for the difference between assigned values and tax bases of assets and liabilities acquired pursuant to a business combination except for non-tax deductible goodwill and unallocated negative goodwill. The effect of adopting SFAS 109 increases the carrying values of certain balance sheet amounts as follows:

Ski and resort assets	$12,959
Negative goodwill	4,786
Properties	4,589
Deferred income tax asset	8,277
Deferred income tax liability	20,831

(h) Information Relating to Cash Flow

The bank and other indebtedness and issue of common shares related to the financing of the acquisitions described in notes 3(a), (b) and (c) are non-cash components of the acquisitions and under United States GAAP would not be included as financing and investing activities. Accordingly, financing cash flows would be decreased by $128,566,000 (1996 - $44,315,000) and investing cash flows would be similarly decreased for both years.

Directors & Officers

Directors

1. Audit Committee
2. Corporate Governance Committee
3. Human Resources Committee

Joe S. Houssian
Chairman, President and
Chief Executive Officer, Intrawest Corporation

Daniel O. Jarvis
Executive Vice President and
Chief Financial Officer, Intrawest Corporation

R. Thomas M. Allan[2,3]
Executive Vice President Investments
London Life Insurance Company

David A. King[1,2]
President
David King Corporation

Gordon H. MacDougall[2,3]
Partner
CC & L Financial Services Group

Paul M. Manheim[1,2]
Senior Vice President
HAL Real Estate Investments Inc.

Paul A. Novelly
Chairman, President and Chief Executive Officer
Apex Oil Company, Inc.

Bernard A. Roy[1,3]
Partner
Ogilvy Renault

Khaled C. Sifri[1]
Vice President, Legal Affairs
Majid Al Futtaim Investments LLC

Hugh R. Smythe
President
Resort Operations Group, Intrawest Corporation

Nicholas C. H. Villiers[3]
Vice President and Director
RBC Dominion Securities Inc.

Charles E. Young
President
Marin Investments Limited

Corporate Officers

Joe S. Houssian
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Chief Executive Officer

David C. Blaiklock
Corporate Controller

Daniel O. Jarvis
Executive Vice President and
Chief Financial Officer

David C. Brown
Vice President, Technology

John E. Currie
Senior Vice President,
Financing and Taxation

Ross J. Meacher
Corporate Secretary

Resort Operations Group

Hugh R. Smythe
President, Resort Operations Group

David B. Brownlie
Senior Vice President, Finance,
Whistler/Blackcomb

Robert A. Fries
President, Stratton

Tony B. Osborne
Staff Vice President, Project Management

Diane R. Rabbani
Vice President, People and Organizational
Development

Michel Aubin
Vice President, Finance, Tremblant

Michael W. Davis
Vice President, Marketing

Roger D. McCarthy
Vice President and General Manager,
Tremblant

Richard Payette
Senior Vice President, Lodging

Spence T. Videon
Chief Executive Officer, Snowshoe

Charles Blier
General Manager, Mont Ste. Marie

Douglas J. Forseth
Senior Vice President, Operations,
Whistler/Blackcomb

Harry B. Mosgrove
President, Copper

Edward B. Pitoniak
Staff Vice President, Idea and Product
Acceleration

Graham R. Wood
General Manager, Panorama

Resort Development Group

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Vice President, Copper

Donal P. O'Callaghan
Vice President, Blackcomb

Justin W. Smart
Vice President, Stratton

Lorne D. Bassel
Senior Vice President, East

David A. Hill
Senior Vice President, Rockies

William R. Green
Vice President, Tremblant

Stephen T. Plescow
Vice President, Snowshoe

Michael F. Coyle
Senior Vice President,
Sales and Marketing

Peter B. Benson
Vice President, Keystone

Tom K. Jacobson
Vice President, Squaw

Dana C. Severy
Vice President, Mammoth

Resort Club Group

James J. Gibbons
President, Resort Club Group

Ron M. Tate
Vice President, Sales and Marketing

Michael J. Dwyer
Executive Vice President

René L. Cardinal
Vice President, Finance and
Administration

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Whistler/Blackcomb

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Telephone: (604) 932-3141
Facsimile: (604) 938-7527
Reservations: 1-800-777-0185

Auditors

Coopers & Lybrand
Vancouver, British Columbia

Transfer Agent and Registrar

CIBC Mellon Trust Company at its principal offices in Vancouver, Calgary, Toronto and Montreal

ChaseMellon Shareholder Services, L.L.C. at its office in New York

Stock Exchange Listings and Symbol

New York Stock Exchange (IDR)
The Toronto Stock Exchange (ITW)
The Montreal Exchange (ITW)
Vancouver Stock Exchange (ITW)

Shareholder Information

Ross J. Meacher, Corporate Secretary
(604) 669-9777

Annual General Meeting

The Annual General Meeting of Shareholders will be held on Monday, November 17, 1997 at 11:00 a.m. in the Fraser/Mackenzie Rooms of The Westin Bayshore Hotel, 1601 West Georgia Street, Vancouver.

Directors & Officers

Directors

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Michel Aubin
Vice President, Finance, Tr

Michael W. Davis
Vice President, Marketing

Roger D. McCarthy
Vice President and Genera
Tremblant

Richard Payette
Senior Vice President, Lod

Spence T. Videon
Chief Executive Officer, Sn

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Gary L. Raymond
President, Resort Development Group

David S. Greenfield
Senior Vice President, West

Robert A. Erickson
Vice President, Copper

Donal P. O'Callaghan
Vice President, Blackcomb

Justin W. Smart
Vice President, Stratton

Lorne D. Bassel
Senior Vice President, East

David A. Hill
Senior Vice President, Roc

William R. Green
Vice President, Tremblant

Stephen T. Plescow
Vice President, Snowshoe

Resort Club Group

James J. Gibbons
President, Resort Club Group

Ron M. Tate
Vice President, Sales and Marketing

Michael J. Dwyer
Executive Vice President

intrawest

Corporate Information

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Mammoth Lakes, California
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Panorama, British Columbia
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Facsimile: (916) 584-0100

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RR1, Box 145
Stratton Mountain, Vermont
U.S.A. 05155-9406
Telephone: (802) 297-2200
Facsimile: (802) 297-9395
Reservations: 1-800-787-2886

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3005 chemin Principal
Mont-Tremblant, Quebec
J0T 1Z0
Telephone: (819) 681-2000
Facsimile: (819) 681-5999
Reservations: 1-800-461-8711

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Whistler and Blackcomb Mountains
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